Medicare DMEPOS

Competitive Bidding Demonstration

Request For Bids

San Antonio, TX

Demonstration Site

HCFA
Health Care Financing Administration

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Background and Objectives

Section 1847 of the Social Security Act, as added by Section 4319 of the Balanced Budget Act of 1997, mandates that the Health Care Financing Administration (HCFA) conduct competitive bidding demonstrations for Medicare Part B items and services (with the exception of physician services). Pursuant to the law, HCFA may not award demonstration supplier status for products covered in the Medicare DMEPOS Competitive Bidding Demonstration unless the supplier's bid is competitive in terms of quality and price.

Medicare payments for durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) are based on outdated fee schedules required by law. Studies by the General Accounting Office (GAO) and the Office of the Inspector General have found that payments allowed currently by Medicare fee schedules often include unreasonably high markups. The studies show that Medicare payments for certain DMEPOS items are greater than payments made by other insurers and sometimes greater than prices charged at retail outlets for customers who are not Medicare beneficiaries.

Competitive bidding provides a way to harness marketplace dynamics to create incentives for suppliers to provide quality items and services in an efficient manner and at reasonable cost. The Medicare DMEPOS Competitive Bidding Demonstration has five objectives.

(1) To test the effects and operational feasibility of competitive bidding to determine prices for categories of DMEPOS covered by Medicare Part B

(2) To protect beneficiary access to quality DMEPOS within the demonstration site

(3) To reduce the amount Medicare pays for DMEPOS within the demonstration site

(4) To limit beneficiary out-of-pocket expenses

(5) To prevent business transactions with suppliers who engage in fraudulent practices

HCFA anticipates that competitively-determined allowances will be lower than current fee schedule allowances, thereby generating savings for Medicare and its beneficiaries. Safeguards built into the project should protect beneficiary access, as well as assure quality and service satisfaction.

Competitive bidding is designed to enable HCFA to identify Demonstration Suppliers on the basis of their quality standards and bids. Multiple Demonstration Suppliers will be selected for each product category. Medicare Part B beneficiaries will be attracted to those Demonstration

Suppliers who offer the best quality products and services included in the demonstration. Therefore, the highest quality Demonstration Suppliers should receive a larger share of the market for items and services included in this demonstration. Thus, competition is encouraged at two levels.

(1) Formal bidding competition for Medicare reimbursement

(2) Market competition among suppliers for Medicare business on the basis of product and service quality

HCFA has designed an implementation strategy in collaboration with one of its DME Regional Carriers (DMERCs), Palmetto GBA, and a subcontractor, Abt Associates Inc. Throughout the demonstration's development, extensive input was obtained from consultants, supplier industry representatives and beneficiary groups. Palmetto GBA will serve as HCFA's agent during the demonstration.

Covered Products and Services

This competitive bidding demonstration will cover the following categories of items when billed to Medicare for Part B fee-for-service beneficiaries permanently residing in the San Antonio metropolitan area.

(1) Hospital Beds and Accessories

(2) Oxygen Contents, Equipment and Supplies

(3) Manual Wheelchairs and Accessories

(4) Non-Customized Orthotic Devices

(5) Nebulizer Inhalation Drugs

The competitively-determined maximum Medicare allowances will apply only to the items listed above. These demonstration prices should account for the cost of the items, as well as the services required to ensure proper delivery, maintenance and service, and removal. For all other items, current Medicare coverage and reimbursement guidelines will be in effect.

About Competitive Bidding

HCFA has mailed notices about the Request for Bids (RFB) to suppliers who have submitted claims to Medicare during the previous year for ...

(1) The items covered by this demonstration and

(2) Medicare Part B beneficiaries permanently residing in the demonstration site.

In addition, HCFA has published notices in national trade publications and the *Commerce Business Daily*. Any supplier may request an RFB to submit bids. Photocopies of the bidding forms may be used. The RFB may also be downloaded from the demonstration's Web site at *www.hcfa.gov/ord/dmebid.htm*. When downloading bidding forms for use, suppliers should take care to select the revised forms for San Antonio, TX.

Bidders' Conference

HCFA will hold a conference for suppliers who are interested in bidding, during which HCFA and Palmetto GBA staff will discuss the demonstration and answer questions. In addition, the conference will provide technical details about the bidding forms. Strategies for submitting successful bids will also be covered. Attendance at the Bidders' Conference is not mandatory, but advance registration is necessary. Questions may be submitted in advance or at the Bidders' Conference.

Questions and Answers

Once the RFB has been released, all questions about the demonstration in general or the RFB in particular should be submitted in writing (via fax or mail). Prospective bidders are encouraged to submit their questions before the Bidders' Conference, but new questions will be allowed during the conference. All questions about the demonstration and RFB should be submitted as soon as possible so there is adequate time to release information to all potential bidders.

Responses to written questions that are helpful to all bidders but not addressed at the conference will be provided to each supplier who has requested an RFB. Suppliers who download an RFB from the demonstration's Web site or acquire an RFB from some other source must call (888) 289-0710 to ensure their names are on the distribution list. The intervals of these distributions will be determined based on the volume and timing of the questions received. The questions' sources will not be identified. All written questions must be sent to the address or fax number below.

Comments

HCFA will receive comments on the demonstration's terms and conditions and reserves the right to change them after considering the comments received. Comments must be received in writing by the date specified in the cover letter accompanying this RFB. Any changes will be communicated to everyone on the demonstration' distribution list. All comments must be sent to the address or fax number below.

Address and Fax Number

AG-400
Medicare DMEPOS Competitive Bidding Demonstration
Palmetto GBA
PO Box 100164
Columbia, SC 29202-3164
Fax (803) 935-0078

Information and Education

HCFA has launched an extensive information campaign to educate Medicare Part B beneficiaries, DMEPOS suppliers, and other healthcare providers about the demonstration. A community outreach campaign encompassing the press, television and radio, as well as meetings with hospital discharge planners and community groups, has been designed to assure beneficiary and community awareness of the demonstration and its restrictions on Medicare reimbursements for certain items. In addition, notices have been published in the *Federal Register*, public meetings held and letters sent to DMEPOS suppliers about the demonstration.

A directory of Demonstration Suppliers will be published and distributed to beneficiaries, DMEPOS suppliers, and other healthcare providers in the demonstration site. The directory will list the names, addresses, telephone numbers and service areas of Demonstration Suppliers for each of the five product categories.

Other sources of information include the demonstration's toll-free number, (888) 289-0710, which is available between 8 a.m. and 4 p.m. Central Time, and the HCFA Web site: *www.hcfa.gov/ord/dmebid.htm*.

An ombudsperson will have a permanent presence in the demonstration site during the demonstration. The ombudsperson's primary function will be to provide information and education to beneficiaries, DMEPOS suppliers and other healthcare providers in the demonstration site. The ombudsperson will receive complaints from beneficiaries, DMEPOS suppliers and other sources about Demonstration Supplier equipment or services. The ombudsperson will investigate complaints and make recommendations to address the problems identified.

Description of the Bidding Process

The characteristics of the bidding process are described in this section. These characteristics include the types of products, geographic region and period of time that define the demonstration as well as eligibility requirements for bidders and bidding guidelines and procedures.

Product Categories

The specific products included in the demonstration are a subset of Medicare-covered DMEPOS products defined in keeping with existing carrier and industry practices and according to the HCFA Common Procedure Coding System (HCPCS). Demonstration products are grouped into five categories. The product categories are listed below.

(1) Hospital Beds and Accessories

(2) Oxygen Contents, Equipment and Supplies

(3) Manual Wheelchairs and Accessories

(4) Non-Customized Orthotic Devices

(5) Nebulizer Inhalation Drugs

The HCPCS codes included in each product category are identified in "Appendix F." Note that the non-customized orthotic codes include only upper and lower limb devices.

Designated Beneficiaries

Medicare Part B fee-for-service beneficiaries who permanently reside in the demonstration site are affected by this demonstration. (See below.) They will be referred to as designated beneficiaries.

Demonstration Site

The geographic region selected for this demonstration is included in the San Antonio, TX metropolitan area. The service areas included in the demonstration site are the three counties listed below.

(1) Bexar County (2) Comal County (3) Guadalupe County

Suppliers can bid to provide items in the five product categories to designated beneficiaries in the entire demonstration site or in only one or two counties. A Demonstration Supplier must be willing to serve any designated beneficiary in the service areas for which the supplier bid. Medicare reimbursement for any demonstration product provided to a designated beneficiary will be affected by the demonstration.

Supplier Eligibility

There are four minimum requirements for suppliers' bids to be eligible for consideration. Suppliers who submit bids but are not eligible for consideration will be notified by mail. The minimum eligibility requirements are listed below.

(1) Suppliers must be enrolled in the Medicare program with an active National Supplier Clearinghouse (NSC) identification number. Consequently, bidders must meet all NSC-enforced supplier standards.

(2) Suppliers must comply with all State and Federal licensure and regulatory requirements.

(3) Suppliers must be in compliance with all Medicare and Medicaid statutes and regulations. A supplier sanctioned for violation(s) of these statutes shall forfeit its opportunity to bid. A sanction is an official action by the Office of the Inspector General that bars the supplier from participating in the Medicare program during a specific time period, or indefinitely. The supplier must petition the Office of the Inspector General for reinstatement.

(4) Suppliers must be in compliance with all billing guidelines pertaining to Medicare. A supplier suspended within the past 12 months by any DMERC Anti-Fraud Unit for billing products or services not rendered shall forfeit its opportunity to bid.

Demonstration Duration

The reimbursement terms and conditions established through this bidding process are planned to be in effect for all purchases and rentals of demonstration items initiated over the two-year period of this demonstration. Under current law, the demonstration must be completed by December 31, 2002, so only one round of bidding will be conducted. If the law is changed, HCFA reserves the right to operate a second round of bidding.

Bidding Guidelines and Procedures

Bids must be made using the forms accompanying this RFB, which are listed on the following page. These forms are also available on disk and on the HCFA Web site.

(1) Form A: Application for Suppliers

(2) Form B: Bidding Sheet

(3) Form D: Bank Reference

(4) Form E: Referral Source Reference

(5) Form F: Financial Data

Forms A and B must be completed by all suppliers that wish to bid. Form A requests general information about a supplier, as well as billing and financial information. Form B consists of bidding sheets on which suppliers will record their bid prices for the demonstration products and other product-category specific information.

Suppliers must complete the top portion of Forms D and E, then provide these forms to their bank and referral source references respectively. References should be instructed to mail the forms directly to Palmetto GBA upon completion. Forms D and E request information about bidders' financial and service standards. Bank references are those names listed in Item 9 of a supplier's Form A. Referral sources are those names listed in Item 7 of Form A. Palmetto GBA may request information from other sources not listed by the supplier but who are familiar with the bidder.

Only suppliers in the competitive range are required to complete Form F, which is included in the RFB package. Form F requests evidence of a supplier's financial ability to remain in business and serve beneficiaries throughout the demonstration. Suppliers in the competitive range will be notified by HCFA after Palmetto GBA has completed Stage Two of the evaluation process. (See "Bid Evaluation.") Suppliers will have 10 business days after notification to submit Form F and related materials.

Suppliers are not required to complete Form C, which is included in the RFB package for informational purposes only. Form C will be used by Palmetto GBA to record data gathered during a bidder's on-site inspection. Inspectors will visit the supplier's facilities to gather evidence that the supplier is able to provide a high level of quality and service.

Each bidder must bid on at least one product category but may bid on all five. Bidders must submit a bid price for each HCPCS code within the product category (or categories) for which it is bidding. Failure to bid on all HCPCS codes in a product category will result in the bid being eliminated. Once the bids are received, they are considered final. Suppliers will not be allowed to revise or amend their bid prices, except as part of any negotiation with HCFA. Bids for each product category will be evaluated separately.

Only one bid per product category will be accepted from a supplier with multiple outlets. If the supplier is awarded demonstration supplier status, the same reimbursement terms will apply to all its DMEPOS outlets serving beneficiaries in the demonstration.

Generally, the specific names of references and the information they and bidders provide are considered to be confidential commercial and financial information that will not be released by HCFA. Bids are not subject to disclosure under the Freedom of Information Act.

Confidentiality of all information provided when a supplier submits its bid(s) will be maintained. Bidders should mark or stamp their financial data forms with the words "Proprietary and Confidential." However, an independent evaluator will be granted access to suppliers' bidding information. The evaluator will report regarding this information in only an anonymous or aggregate format. Also, bidding information may be reviewed for evaluation purposes by the GAO. HCFA will request that the GAO report bidding information in only an anonymous or aggregate format.

All HCFA and contractor staff with access to bid information will be required to sign a statement agreeing to maintain bidders' confidentiality. In addition, information provided by Non-Demonstration Suppliers will be destroyed in a secure manner such as shredding or incineration once they are no longer required for the demonstration. Demonstration Suppliers' confidential commercial and financial information will also be destroyed.

Nursing Homes

Because of different billing and reimbursement procedures for nursing homes (NHs), designated demonstration product categories supplied to Medicare beneficiaries who are residents of NHs will be processed under different guidelines than products supplied to beneficiaries in their homes or in residential care facilities.

(1) Medicare beneficiaries who are Skilled Nursing Facility (SNF) residents and whose stay is covered by Part A are not included in this demonstration. DMEPOS items for residents with Part A coverage for their stays will be paid for as part of the SNF prospective payment system (PPS). The PPS system began in 1999.

(2) Medicare beneficiaries who are NH residents and who have only Part B coverage are included in the demonstration. In this demonstration, the only product category that is separately reimbursed in NHs is non-customized orthotic devices. NHs are urged to choose one of the Demonstration Suppliers to provide these products to Medicare beneficiaries.

NHs often have business relationships with suppliers that would make it difficult to purchase designated items from the Demonstration Suppliers, while purchasing these same items for other NH residents from their normal suppliers. Therefore, HCFA will allow the

NHs to purchase these designated demonstration products from Non-Demonstration Suppliers but only at or below the demonstration allowance.

Medicare may reimburse Non-Demonstration Suppliers for non-customized orthotic devices no more than the demonstration allowance for these items. Claims for such items will be sent as usual to the DMERC by the supplier, including the NH if acting as a supplier. Because these bills will be reimbursed under an exception to the demonstration guidelines, in order for these bills to be paid, it will be necessary for the NHs and their suppliers to send information on the Non-Demonstration Supplier(s) including the supplier's name and NSC identification number to demonstration staff at Palmetto GBA. The NH supplier must meet the terms of the demonstration including the quality and service standards. (See "Appendix A.")

(3) Once consolidated billing for Part B only SNF residents is put into place, HCFA will continue to urge the SNFs to obtain designated demonstration products from the Demonstration Suppliers. However, HCFA will continue the policy of allowing the SNFs to continue their relationships with their normal Non-Demonstration Suppliers. These suppliers must continue to meet all of the program and demonstration quality and service standards. (See "Appendix A.")

Under the Part B consolidated billing policy, billing for DMEPOS items will be made by the SNF to the SNF's fiscal intermediary. If the SNF acts as an excepted, Non-Demonstration Supplier and directly bills the SNF fiscal intermediary for the designated demonstration items, HCFA will allow the SNF to do so as long as it bills at (or lower than) the price allowed under the demonstration.

The implementation date for consolidated billing of DMEPOS items for Part B beneficiaries has not been announced, but may occur during the demonstration. If so, HCFA will provide a procedure for the SNFs to verify to the fiscal intermediary that the prices charged for demonstration designated items are at or better than the demonstration allowance.

Supplier Networks

To make it possible for smaller suppliers to submit more competitive bids, and thus enhance competition in the bidding process, suppliers may form networks to bid. The following minimum requirements have been established for a supplier network's bid to be acceptable.

(1) Each member of the supplier network must be independently eligible to bid for a place as a Demonstration Supplier. If a member of the network is determined to be ineligible to bid, the network will be notified and given 10 business days to resubmit its application.

(2) The network must not be anti-competitive. The network members' market shares, when added together, can not exceed 25 percent of the Medicare market for any product category the network is bidding on in the demonstration site. Thus, HCFA will accept bids from networks where the members collectively have 25 percent of the market share or less. Utilization data published in the RFB should answer questions about market penetration.

(3) A supplier may join only one network and may not also submit individual bids. A supplier may not join one network for product category A and a second network for product category B.

(4) The network must designate a primary supplier among its members. The primary supplier will bill Medicare and receive reimbursement on behalf of all of the network's members. The primary supplier will be responsible for appropriately distributing reimbursements to the network's other members.

(5) The network must submit a single bid for each product category on which it is bidding. The network as a whole must complete Form B with a single bid price for each item in the product category (or categories) on which the network bids. However, each member of the network must complete Form A separately. All Forms A should be submitted with the network's bid(s).

Bids for Purchase and Rental Products

Each HCPCS code within a product category is classified as either a purchase or rental product, never both. Reimbursement policies in this demonstration correspond to normal Medicare policies.

Reimbursement for supplies can only be made on a purchase basis. Therefore, a bid price that corresponds to the purchase price of these items should be submitted. All bids should include the cost of providing the item and any requisite services associated with the item, such as delivery, proper beneficiary and caregiver training, and follow-up. For some nebulizer inhalation drugs, a HCPCS code may be reimbursed one of three allowables depending on the modifier used (KO, KP or KQ). However, the Medicare allowance for a HCPCS code billed with the KO modifier equals the Medicare allowance for the same code billed with a KP modifier. Therefore for certain nebulizer inhalation drugs, suppliers are required to bid twice: once using the KO modifier and again using the KQ modifier. The product weight for a HCPCS code-KO combination includes the product weight for the HCPCS code-KP combination.

Reimbursement for inexpensive-or-routinely-purchased (IRP) equipment can be made when these items are either purchased or rented. However for each HCPCS code, suppliers will be required to bid only on the new-purchase (NU) item within the product category. Product weights for each HCPCS code-modifier combination will be summed to calculate the underlying

HCPCS code's total product weight. Demonstration prices corresponding to each modifier (NU, UE, RR and MS) within a HCPCS code will be calculated, using Medicare's current payment formula. Total rental payments are limited to the new-purchase allowance. (For the purposes of this section, "payment" refers to the sum of Medicare reimbursement and beneficiary co-payment for the equipment.)

Equipment in the capped-rental category will only be eligible for Medicare reimbursement when it is initially rented. For these items, a single bid price equal to the first month's rental price (RRKH modifiers) should be submitted. This bid should include the cost of providing the equipment and requisite service associated with its proper maintenance. As with IRP equipment, product weights for each HCPCS code-modifier combination will be summed to calculate the underlying HCPCS code's total product weight. Demonstration prices corresponding to each modifier (RRKH, RRKI, RRKJ and MS) within a HCPCS code will be calculated, using Medicare's current payment formula.

While capped-rental equipment must be provided for the entire period of medical necessity, Medicare reimbursement of the monthly rental charge allowed under this demonstration will be limited to a maximum of 15 months for items provided after the demonstration begins. The number of rental payments allowed for each demonstration product is shown on the appropriate bidding sheet in column C. See "Reimbursement Policies" for more information.

Bid Submission Deadline and Address

All bids must be received — not postmarked — no later than 5 p.m. on the date specified in the cover letter accompanying this RFB. Bids received after this deadline will be disregarded. Suppliers may address their bids to either of the addresses shown below.

U.S. Mail
AG-400
Medicare DMEPOS Competitive
Bidding Demonstration
Palmetto GBA
PO Box 100164
Columbia, SC 29202-3164

Overnight Delivery Service
Leslie Epperly, AG-400
Medicare DMEPOS Competitive
Bidding Demonstration
Palmetto GBA
17 Technology Circle
Columbia, SC 29203
(888) 289-0710

Bid Evaluation

The process for evaluating bids is described in detail in this section. This process will depend on the number of bids received, the prices bid and other issues that can not be predicted. Thus, the process may require modification. Tables showing calculations for multiple bidders are provided in "Appendix E."

Once bids are submitted, they are considered final. While HCFA may seek clarification from a supplier about elements of a bid, it is not HCFA's intention to ...

(1) Request more than one bid per product category from a supplier,

(2) Share information about any supplier's proposal with any other supplier, or

(3) Permit suppliers to condition their bids in any way.

HCFA reserves the right to negotiate with bidders regarding issues such as service areas and price. Once bids are received, suppliers will not be allowed to revise their bids unless such revisions are requested by HCFA during negotiations.

Each product category will be evaluated independently. Therefore, it is possible that a bidder may be selected for one product category but not for another. However, the Bid Evaluation Panel (BEP) will ensure that each service area will have enough Demonstration Suppliers to serve all Medicare Part B fee-for-service beneficiaries in that area for each product category.

HCFA will oversee all stages of the bid evaluation process described below.

Stage One: Pre-Screening and Eligibility Review

Palmetto GBA will mail confirmation to suppliers once their bids have been received.

(1) Within 10 business days of receipt by Palmetto GBA, bids will be reviewed for legibility and completeness.

(2) Bids will be returned if illegible or incomplete. Bidders will have 10 business days from the date their bids are sent back to amend and resend them.

(3) Palmetto GBA will assess each bidder's eligibility. (See "Supplier Eligibility.") Bids from ineligible suppliers will be returned. Supplier networks with an ineligible member will be given 10 business days to resubmit their applications.

Eligible bidders will proceed to Stage Two of the bid evaluation process. Ineligible bidders will not.

Stage Two: Financially Competitive Range

HCFA will choose a competitive range of bids that includes more suppliers than are needed in the demonstration site. HCFA reserves the right to reject bids that are unrealistically low, such as less than wholesale prices.

All calculations will be done by Palmetto GBA. The bidder will fill in the bid price in column D of Form B. The following steps will be used to identify a competitive range of bids.

(1) Palmetto GBA will determine a composite bid price (a weighted total of the supplier's bid prices) for each bidder within a product category.

(2) HCFA will determine a cutoff composite bid price.

(3) The cutoff bidder(s) and all bidders with composite bid prices less than the cutoff will be in the competitive range.

The steps taken to calculate competitive bid prices are explained below. Examples are included to help bidders understand the process. Tables show examples for more than one supplier so that bidders can see how their bid prices will be compared. (The numbers shown are for the purpose of these examples only.) Bids for each product category will be evaluated for price and the range of competitive bids will be determined in the following manner.

(1) A demonstration product's weight is calculated by dividing its estimated volume for the prior year, or four quarters in the case of nebulizer inhalation drugs, by the product category's estimated volume for the same time period. When added together, all weights within a product category equal 1.00. (See Table E-1.) Product weights are shown in "Appendix F." In this example, the weight for Product One is 0.21.

Product One Estimated Volume		Product Category Estimated Volume		Product Weight for Product One
93	÷	442	=	0.21

(2) Weighted bid prices will be calculated for each bidder. A weighted bid price will be the supplier's bid price for a demonstration product multiplied by its weight. (See Table E-2.) In this example, Supplier A's weighted bid price for Product One is $29.31.

Supplier A's Bid Price for Product One		Product Weight for Product One		Supplier A's Weighted Bid Price for Product One
$139.56	*	0.21	=	$29.31

(3) A composite bid price will be calculated for each bidder. A supplier's composite bid price will be the total of its weighted bid prices for all items within the product category. (See Table E-3.) In this example, Supplier A's composite bid price for the product category is $185.98.

Supplier A's Weighted Bid Price for Product One		Supplier A's Weighted Bid Price for Product Two		Supplier A's Weighted Bid Price for Product Three		Supplier A's Composite Bid Price for Product Category
$29.31	+	$81.52	+	$75.15	=	$185.98

(4) Bidders' composite bid prices for the product category will be arrayed in order. A cutoff composite bid price will be determined once all bidders' composite bid prices are compared. In this example, the cutoff composite bid price for the product category is $185.98, and Supplier A is the "cutoff supplier."

Supplier E's Composite Bid Price for Product Category	$181.41
Supplier C's Composite Bid Price for Product Category	$183.67
Supplier A's Composite Bid Price for Product Category ***Cutoff Composite Bid Price***	$185.98
Supplier B's Composite Bid Price for Product Category	$187.66
Supplier D's Composite Bid Price for Product Category	$188.41

Competitive Range of Bids

(5) The competitive range of bids chosen by HCFA will include those bidders whose composite bid prices are equal to or less than the cutoff composite bid price. The range will include more suppliers than are needed in the demonstration site. In this example, Suppliers A, C and E fall into the range of lower bids for the product category.

Stage Three: Additional Data Collection

To supplement the information provided on Forms A and B, Palmetto GBA will solicit additional information from the bidders, their financial contacts, and their referral sources. (See Forms C, D, E and F.) Information may be sought from references who are not listed on Form A.

Stage Three will overlap Stage Two. During Stage Three, Palmetto GBA will conduct on-site inspections of bidders' facilities. HCFA plans to begin on-site inspections before the competitive

range of bidders is established. Therefore, any bidder — not only those in the competitive range — may be subject to an on-site inspection. Bidders should not assume that an on-site inspection means they are in the competitive range.

Stage Four: Quality Assessment

Bids in the competitive range will be evaluated by a panel of experienced Palmetto GBA DMEPOS staff and subcontractors. All HCFA and contractor staff — including the BEP — with access to bid information will be required to sign a statement agreeing to maintain bidders' confidentiality and to declare and resolve any conflicts of interest that may arise during the bid evaluation process. Conflicts of interest include offers of employment, compensation and gratuity discussions between bidders and demonstration staff.

Quality assessments will be based on the information available to the BEP at the time the supplier's bid is evaluated. The BEP may choose to include additional (higher) bids if it is not satisfied with the level of service proposed by suppliers in the previous range of competitive bids. There are three steps during this stage of bid evaluation.

(1) Review the information collected and score bidders to identify those suppliers with the greatest potential to provide good quality and service.

(2) Recommend Demonstration Suppliers to HCFA.

The BEP will use the bid evaluation scoring shown in Table E-4 of "Appendix E." Points will be awarded based on the information available to the BEP at the time the supplier's bid is assessed. For the financial category, there are no pre-determined acceptable levels for the financial indicators. (See "Appendix C.") Bidders in each category will be scored in relation to the service proposed by other bidders. A bidder may receive a maximum of 100 points. However, any supplier with a score less than 70 percent of the maximum points available in any one category will be excluded from further consideration. The BEP is not required to assign equal weight to the evaluation criteria within each category.

Stage Five: Selection and Award

The BEP will present its list of potential Demonstration Suppliers to HCFA for approval. Once HCFA approves the proposed list of Demonstration Suppliers, the following steps will be taken.

(1) The BEP may negotiate with potential Demonstration Suppliers to assure Medicare beneficiaries access and quality. For example, to assure geographic coverage, a supplier may be required to serve an additional area. Suppliers in an under-served area that bid more than the cutoff price may be asked to accept the demonstration prices.

(2) All bidders in each product category will then be informed in writing whether they were selected as Demonstration Suppliers. Bidders will also be informed of the tentative demonstration prices, Medicare reimbursement and beneficiary co-payment for each demonstration product. (See "Calculating Demonstration Prices.")

(3) Potential Demonstration Suppliers will be required to sign a supplier agreement (included with their notification letter). This agreement will certify that the bidder accepts the demonstration prices for which it qualifies and all other terms and conditions for the duration of the demonstration. (See "Operating Policies.")

(4) Potential Demonstration Suppliers will have 10 business days from the date on their notification letter to return the signed supplier agreement. Potential Demonstration Suppliers who do not return signed supplier agreements will revert to non-demonstration supplier status.

(5) If a potential Demonstration Supplier refuses its demonstration supplier status, the BEP is authorized to choose additional potential Demonstration Suppliers from those bidders not previously selected during this bidding round. HCFA reserves the right to recalculate demonstration prices for a product category if the cutoff supplier does not join the demonstration.

(6) After any requests for reconsideration are decided, a directory of Demonstration Suppliers will be published and distributed to the demonstration site's healthcare provider and beneficiary communities. (See "Post-Award Options.")

Calculating Demonstration Prices

Demonstration prices will be calculated for each demonstration product in the following manner. Note that demonstration prices will reflect the bids of all Demonstration Suppliers. The cutoff price will be determined by the cutoff supplier's composite bid price. Since most successful bidders bid less than the cutoff supplier's composite bid price, they will be paid more than they bid. Prices for individual HCPCS codes will equal the average of all Demonstration Suppliers'

adjusted bid prices for that code. The following section and related appendix describe how the demonstration prices are calculated.

Tables are included in "Appendix E," to help bidders understand the process. The tables show examples for more than one supplier so bidders can see how their bid prices will be compared. (The numbers shown in this section are for the purpose of these examples only.)

(1) The cutoff composite bid price will be finalized before calculating supplier ratios. The final cutoff price will equal the greatest composite bid price within the competitive range of bids. If the cutoff supplier chooses not to join the demonstration, the cutoff price may be adjusted to equal the greatest final composite bid price remaining.

(2) A ratio will be calculated for each Demonstration Supplier. The ratio will be the product category's cutoff composite bid price divided by the supplier's composite bid price for that product category. In the following example, Supplier E's ratio for the product category is 1.03. (See Table E-5, which shows ratios for all bidders. However, only those bidders who propose a high level of quality and service may become Demonstration Suppliers.)

Cutoff Composite Bid Price for Product Category		Supplier E's Composite Bid Price for Product Category		Supplier E's Ratio for Product Category
$185.98	÷	$181.41	=	1.03

(3) The supplier's adjusted bid price will be calculated. The adjusted bid price will be the supplier's bid price multiplied by the supplier's ratio. (See Table E-6.) In this example, Supplier E's adjusted bid price for Product One is $141.81.

Supplier E's Bid Price for Product One		Supplier E's Ratio for Product Category		Supplier E's Adjusted Bid Price for Product One
$137.68	*	1.03	=	$141.81

(4) The demonstration price for an item will be calculated by averaging adjusted bid prices for that item. The average is calculated by adding together the demonstration item's adjusted bid prices from each Demonstration Supplier within the product category. The total is then divided by the number of Demonstration Suppliers for the product category. (See Table E-7.) In the following example, the demonstration price for Product One is $140.25.

Supplier A's Adjusted Bid Price for Product One		Supplier C's Adjusted Bid Price for Product One		Supplier E's Adjusted Bid Price for Product One		Adjusted Bid Price Total for Product One
$139.56	+	$139.39	+	$141.81	=	$420.76

Adjusted Bid Price Total for Product One		Number of Demonstration Suppliers for Product Category		Demonstration Price for Product One
$420.76	÷	3	=	$140.25

Using this process, the demonstration price is an average equal to the adjusted bid prices of the bidders whose composite bid prices equal or are less than the cutoff composite bid price. Demonstration prices will be, on average, greater than the bid prices of suppliers in the competitive range.

Demonstration prices for nebulizer inhalation drugs will be updated after one year of the demonstration cycle has passed. If average wholesale prices (AWP) for the product category's HCPCS codes change more than one percent during the year, the demonstration price for each of those codes will be updated. Demonstration price updates for nebulizer inhalation drugs will be in proportion to each code's AWP change. The pricing update is provided annually for nebulizer inhalation drugs because, on average, prices for these codes have changed annually by more than one percent since 1997. Prices for the other product categories will not be updated since they will not significantly change for the rest of the Medicare program. Suppliers should take this into account when bidding.

Medicare Reimbursement

Medicare reimbursement for a demonstration product will be 80 percent of its demonstration price. (See Table E-8.) In this example, the Medicare reimbursement for Product One is $112.20.

Demonstration Price for Product One		80 Percent		Medicare Reimbursement for Product One
$140.25	*	0.80	=	$112.20

Beneficiary Co-Payment

The beneficiary co-payment for a demonstration product will be 20 percent of its demonstration price. (See Table E-8.) In this example, the beneficiary co-payment for Product One is $28.05.

Demonstration Price for Product One		20 Percent		Beneficiary Co-Payment for Product One
$140.25	*	0.20	=	$28.05

Post-Award Options

The legislation authorizing the Medicare DMEPOS Competitive Bidding Demonstration does not require HCFA to follow the Federal Acquisition Regulation System (FAR). However, HCFA plans to adhere to several provisions of the FAR. For example, HCFA will publish notice of the demonstration in local newspapers and in the *Commerce Business Daily*. It will also entertain questions and comments about the demonstration as it proceeds, and respond to relevant questions in a written and public manner.

Non-selected bidders will have the option of a general debriefing or, in certain cases, a request for reconsideration. Qualifications for reconsideration are listed below.

General Debriefing

There will be a general debriefing held after the potential Demonstration Suppliers are chosen. It will be announced and open to all bidders. No special application will be required to attend, although HCFA will request pre-registration. In this session, the entire bid evaluation will be discussed, including explanations of how the bids were processed, the composite bid prices calculated, and the cutoff composite bid prices determined.

Request for Reconsideration

Requests for reconsideration must be made in writing by bidders that did not win for reasons other than price. Their requests must be made within 10 business days of HCFA's announcement of bidders' demonstration status and sent to the address or fax number below.

AG-400
Medicare DMEPOS Competitive Bidding Demonstration
Palmetto GBA
PO Box 100164
Columbia, SC 29202-3164
Fax (803) 935-0078

For example, a bidder may challenge HCFA's decision that the supplier's quality and service standards, in comparison to the potential Demonstration Suppliers', are not adequate or are less than those of the chosen suppliers. A general description of the comments made by anonymous sources will be made available as documentation of the bid evaluation process. Any bidders adversely affected by these comments should present additional information as part of their request for reconsideration. The bidder should take this opportunity to comment on past

performance or refute negative references from referral sources that may have affected the BEP's decision.

Since the cutoff composite bid price is a purchasing decision by HCFA, suppliers may not appeal this determination. Suppliers not chosen because they bid above the cutoff price will not have grounds to request reconsideration.

The reconsideration may affect demonstration prices or publication of the demonstration supplier directory. Therefore, HCFA will make every effort to process all requests for reconsideration quickly. HCFA will respond to requests for reconsideration in writing. The HCFA official responsible for deciding requests for reconsideration will be familiar with the demonstration but will not have been a voting member of the BEP. During any reconsideration, the HCFA official will request assistance from the BEP.

Private Debriefings

After all reconsiderations have been processed, bidders not selected for reasons other than price may request private debriefings to learn what quality concerns made their proposals unacceptable. Private debriefings should be requested in writing. However, they will not result in reconsideration of the supplier's proposal.

Demonstration Status

By returning a signed supplier agreement, the bidder ratifies the terms and conditions of its participation in the Medicare DMEPOS Competitive Bidding Demonstration. Every bidder will be classified as either a Demonstration Supplier or a Non-Demonstration Supplier for each demonstration product category. A supplier's Medicare reimbursement and the beneficiary's co-payment for transactions involving each of the demonstration products will be defined according to the beneficiary's permanent residence and the supplier's demonstration status for that product category.

Demonstration Suppliers

Each product category will have more than one Demonstration Supplier. These suppliers must accept assignment on all transactions involving demonstration products and meet the quality and service standards for the product category. (See "Appendix A.") In addition, a Demonstration Supplier must have access to a sufficient supply of demonstration products within its product

category (or categories) to serve all its customers, including designated beneficiaries in the Demonstration Supplier's service areas.

Demonstration Suppliers must agree to allow HCFA agents to inspect the suppliers' premises (whether retail storefront/showroom, warehouse or office) at any time while the demonstration is in effect.

Demonstration Suppliers who do not abide by all terms and conditions of the demonstration will be subject to claim denials and other penalties, including revocation of their demonstration supplier status for repeat or serious offenders.

Non-Demonstration Suppliers

During the demonstration, Non-Demonstration Suppliers are not eligible for Medicare reimbursement when providing demonstration products to designated beneficiaries. This policy applies to all claims for demonstration products from Non-Demonstration Suppliers, with certain exceptions. See "Transition Policies" for an explanation of these exceptions.

When dealing with designated beneficiaries for any of the demonstration products as specified by the demonstration's transition policy, Non-Demonstration Suppliers must ...

(1) Reveal their demonstration status and

(2) Fulfill the obligations of demonstration participation, including meeting or exceeding the demonstration's requirements and standards. (See "Appendix A.")

Transition Policies

Safeguards are built into the demonstration to protect its designated beneficiaries. These protections will assure ...

(1) Continued access to quality medical equipment and supplies, as well as the services required to ensure they are properly maintained;

(2) A smooth transition for designated beneficiaries and their Demonstration Suppliers; and

(3) Reduced out-of-pocket costs for designated beneficiaries.

The demonstration prices that result from the bidding round will apply to all demonstration products except those with pre-existing capped-rental episodes (i.e., wheelchairs, hospital beds, or certain wheelchair or hospital bed accessories). (See “Capped-Rental Equipment” for further details.)

The following transition policies are intended to make the demonstration’s implementation easier for the beneficiaries and suppliers affected.

Capped-Rental Equipment

Pre-existing rental or purchase contracts for the following capped-rental equipment will continue to be eligible for Medicare reimbursement regardless of the supplier's demonstration status. Demonstration products affected by this transition policy are ...

(1) Hospital Beds and Accessories and

(2) Manual Wheelchairs and Accessories.

Pre-existing rental or purchase contracts for these items will continue to be eligible for Medicare reimbursement according to the current, statewide fee schedule and reimbursement guidelines for the duration of the rental contract. However, beneficiaries who start using wheelchairs or hospital beds during the demonstration must contract with a Demonstration Supplier for their claims to be eligible for Medicare reimbursement.

Beneficiaries who have pre-existing relationships with Non-Demonstration Suppliers for wheelchairs or hospital beds have the option to rent or purchase related accessories from the same suppliers. In these cases, the suppliers may continue to receive Medicare reimbursement for the items provided they agree to accept assignment and the demonstration prices.

A beneficiary changing suppliers during or after the 15-month rental period does not result in a new rental episode. Furthermore, the supplier that provides the item to the beneficiary in the 15th month is responsible for supplying the equipment as well as its maintenance and service after the 15-month rental episode.

Oxygen Contents, Equipment and Supplies and Nebulizer Inhalation Drugs

A beneficiary who has a pre-existing relationship with a Non-Demonstration Supplier for oxygen or nebulizer inhalation drugs may continue to use the same supplier regardless of its demonstration status. In this case, the supplier may continue to receive Medicare reimbursements provided it agrees to accept assignment and demonstration prices.

If a beneficiary's current oxygen or nebulizer inhalation drug supplier refuses to accept demonstration prices, the beneficiary should select a new provider from the directory of Demonstration Suppliers. Beneficiaries whose need for oxygen or nebulizer inhalation drugs arises after the demonstration begins must contract with a Demonstration Supplier for their claims to be eligible for Medicare reimbursement. A supplier that has a current certificate of medical necessity on file with the DMERC is considered to have a pre-existing relationship with the beneficiary.

Non-Customized Orthotic Devices

There is no transition policy for this product category. Designated beneficiaries who need non-customized orthotic devices must purchase them from Demonstration Suppliers.

Repairs

Repairs to purchased products, capped-rental equipment and respiratory equipment are exempt from the demonstration and will be reimbursed using the current, statewide fee schedule, not demonstration prices.

Upgrades for Demonstration Items

Demonstration Suppliers will be allowed to provide and receive payment for upgraded demonstration items furnished to designated beneficiaries, even though the supplier must accept assignment. However, the amount Demonstration Suppliers can collect from designated beneficiaries for upgraded demonstration equipment is limited to ...

(1) The demonstration price for the upgraded item minus the demonstration price for the medically-necessary standard item

(2) Plus the 20 percent beneficiary co-payment for the medically-necessary standard item.

For example, if a beneficiary chooses to upgrade from the medically necessary standard wheelchair (HCPCS code K0001) to a lightweight wheelchair (HCPCS code K0003), the Demonstration Supplier may collect $179.10 from the beneficiary. (The numbers shown here are for the purposes of this example only.)

Demonstration Price for Upgraded Item (HCPCS code K0003)		Demonstration Price for Standard Item (HCPCS code K0001)		Price Difference Between the Two Items
$287.01	–	$134.89	=	$152.12

Demonstration Price for Standard Item (HCPCS code K0001)		20 Percent		Beneficiary Co-Payment for Standard Item (HCPCS code K0001)
$134.89	*	0.20	=	$26.98

Price Difference Between the Two Items		Beneficiary Co-Payment for Standard Item (HCPCS code K0001)		Total Collectible from Beneficiary for Upgraded Item (HCPCS code K0003)
$152.12	+	$26.98	=	$179.10

The provision for this policy is included in Section 4551(c) of the Balanced Budget Act. An upgrade must be at the beneficiary's request, with no pressure from the supplier. A Demonstration Supplier must fully disclose the availability and price of the standard item to beneficiaries, and beneficiaries must sign a statement that they understand the cost of the upgrade and their financial liability for it. If HCFA publishes a proposed rule regarding upgrades before or during the demonstration, the requirements of the proposed rule will be implemented by the demonstration. Any alleged violations or abuse of this policy will be investigated by HCFA.

Certificates of Medical Necessity

A certificate of medical necessity (CMN) is a standard form developed and required by the DMERC to determine whether or not an item is reasonable and necessary for the beneficiary's diagnosis, treatment of illness or injury, or to improve the functioning of a malformed body member. A CMN must be completed, signed and dated by the beneficiary's physician in accordance with normal DMERC policy. Of the five product categories only three currently require a CMN.

(1) Hospital Beds and Accessories

(2) Oxygen Contents, Equipment and Supplies

(3) Manual Wheelchairs and Accessories

The demonstration's transition policies allow designated beneficiaries to continue doing business with Non-Demonstration Suppliers for certain items within these product categories. These beneficiaries will only need to obtain a new CMN from their doctors if their medical condition changes or a re-certification is required by existing DMERC medical policy.

For the product categories that require a CMN, current DMERC medical policy mandates suppliers have the original, signed CMN in their files to document medical necessity before submitting a claim for reimbursement. Normally, each supplier doing business with a Medicare beneficiary should maintain its own original CMN to assure the beneficiary's medical need for an item is properly documented.

However for this demonstration, Non-Demonstration Suppliers may transfer CMNs for designated beneficiaries to their new Demonstration Suppliers. Non-Demonstration Suppliers should keep the original CMNs in their files and provide the Demonstration Suppliers with a clear photocopy of the CMNs. Faxed CMNs are acceptable, according to the DMERC's current documentation requirements.

When a Demonstration Supplier accepts the transfer of a CMN, it must validate the information on the CMN with the beneficiary's physician (the one who signed the CMN). Documentation of this validation must be attached to the CMN copy in the Demonstrations Supplier's file for it to be considered valid. If the transferred CMN cannot be validated, the Demonstration Supplier must obtain a new original, revised CMN from the beneficiary's physician. Validation may be ...

(1) A contact report of a telephone conversation between the supplier and ordering physician or

(2) A letter from the supplier to the ordering physician that the physician signs to confirm the CMN's accuracy and returns to the supplier.

If a beneficiary's medical condition has changed, the Demonstration Supplier must obtain an original, revised CMN with current medical information from the physician. This original, revised CMN must be submitted to the DMERC with the Demonstration Supplier's first claim for the beneficiary. If the beneficiary's medical condition has not changed, transferred CMNs need not be submitted with the Demonstration Supplier's first claim for the beneficiary.

Reimbursement Policies

Reimbursement policies in this demonstration correspond to normal Medicare policies. Medicare reimbursement for the rental or purchase of DMEPOS items is equal to 80 percent of the

supplier's actual charge or the demonstration price for equipment or supplies, whichever is lower. Demonstration Suppliers may not routinely waive collection of the beneficiary co-payment, which is equal to the remaining 20 percent. (For the purposes of this section, "payment" refers to the sum of Medicare reimbursement and beneficiary co-payment for the equipment.)

Reimbursement for inexpensive-or-routinely-purchased (IRP) equipment can be made when these items are either purchased or rented. However for each HCPCS code, suppliers will be required to bid only on the new-purchase (NU) item within the product category. Product weights for each HCPCS code-modifier combination will be summed to calculate the underlying HCPCS code's total product weight. Demonstration prices corresponding to each modifier (NU, UE, RR and MS) within a HCPCS code will be calculated, using Medicare's current payment formula. Total rental payments are limited to the new-purchase allowance.

HCPCS codes not listed on Form B but which fall within one of the product categories are included in the demonstration. Although bids are not solicited for these HCPCS codes, they must be provided by Demonstration Suppliers for that product category. These codes are listed in "Appendix F." Such items may be reimbursed according to Medicare's prevailing fee schedule or reasonable-charge policy. This provision includes new 2000 HCPCS codes effective when suppliers bid, HCPCS codes assigned after the demonstration begins and HCPCS codes representing miscellaneous or individually considered items.

Purchased Products

Reimbursement for equipment or supplies that can currently be purchased (e.g., IRP equipment, orthotics and nebulizer inhalation drugs) will be made in a lump-sum amount when sold outright to a beneficiary. The demonstration price for used-purchase equipment is 75 percent of the demonstration price for new-purchase equipment.

Rental Equipment

Monthly rental reimbursements will be made in accordance with Medicare's current rental guidelines. Demonstration Suppliers will be responsible for providing the services required to ensure equipment functions properly as long as it is rented.

Rental reimbursements for IRP equipment will be made monthly. Monthly rental allowances should equal 10 percent of the demonstration price for new-purchase equipment. Total rental payments will be limited to the demonstration price for new-purchase equipment.

Equipment in the capped-rental category will only be eligible for Medicare reimbursement when it is initially rented. For these items, a single bid price corresponding to the first month's rental price

should be submitted. This bid should include the cost of providing the equipment and requisite service associated with its proper maintenance. While capped-rental equipment must be provided for the entire period of medical necessity, Medicare reimbursement of the monthly rental charge allowed under this demonstration will be limited in one of two ways.

(1) To the maximum number of months remaining in a rental period that began before the demonstration

(2) To a maximum of 15 months for items provided after the demonstration begins

The number of rental payments allowed for each demonstration product is shown on the appropriate bidding sheet in column C. The following list highlights the basic reimbursement principles for capped-rental equipment during the demonstration. The list is not all-inclusive.

(1) Rental payments for months four through 15 will be reduced by 25 percent.

(2) After rental payments have been made for 15 months, the Demonstration Supplier must maintain and service equipment as long as the beneficiary's medical need and eligibility for Medicare benefits exists.

(3) Beneficiaries must be offered the purchase option after rental payments have been made for 10 months. A beneficiary's decision must be documented in writing. (See the Region C DMERC *DMEPOS Supplier Manual* for a sample letter.)

(4) Beneficiaries (or any other entity on their behalf) who choose to continue renting after the 10th month may not be charged for capped-rental equipment after 15 continuous rental payments have been made. Similarly, beneficiaries (or any other entity on their behalf) who elect to purchase after the 10th month may not be charged for capped-rental equipment after 13 continuous rental payments have been made.

(5) Maintenance and service can only be billed to Medicare six months after the 15th rental payment is made and at six-month intervals thereafter.

(6) Demonstration Suppliers may charge for maintenance and service no more than the capped-rental equipment's first-month demonstration price.

(7) A beneficiary who has selected the purchase option after the 10th rental month can not be charged for a lump-sum purchase.

(8) Charging beneficiaries who have selected the purchase option excessively more than non-Medicare customers during the last three rental months (11 – 13) is subject to investigation and sanction by the Office of the Inspector General.

(9) Continuous-use interruptions of less than 60 days (not including the number of days remaining in the rental month when use ends) will not warrant a new 15-month capped-rental period when use resumes.

(10) A break in service may warrant a new 15-month capped-rental episode when medical necessity and use resume. A break in service occurs when a period of continuous use is interrupted by the cessation of medical need or Medicare coverage for more than 60 days (not including the number of days remaining in the rental month during which the beneficiary's medical need ends).

(11) Changing suppliers will not begin a new 15-month capped-rental episode.

Oxygen Contents, Equipment and Supplies

Reimbursement for all oxygen, oxygen systems and oxygen-related supplies will be made according to current Medicare guidelines. The demonstration price will represent a monthly rental payment for all oxygen, equipment and supplies used by a beneficiary in a given month. A Demonstration Supplier must provide all ...

(1) Services required to ensure the equipment functions properly and

(2) Oxygen and supplies as prescribed by the beneficiary's physician.

Adjustments to the demonstration price will be made for extremely low and high-volume oxygen users if ...

(1) Flow rate is less than one liter per minute (LPM). The demonstration price will be reduced by 50 percent;

(2) Flow rate is more than four LPM with no portable system prescribed. The demonstration price will be increased by 50 percent; or

(3) Flow rate is more than four LPM with a portable system prescribed. The demonstration price will be increased by 50 percent or reimbursement will be made for the portable system (at the demonstration price), whichever is greater.

Medicare may cover portable oxygen only for those beneficiaries who have physician orders and meet Medicare coverage guidelines. In addition, separate reimbursement for oxygen transtracheal catheters will only be made when the beneficiary owns the stationary oxygen system.

Repairs

Repairs to purchased products and rental equipment are exempt from the demonstration and will be reimbursed using the current, statewide fee schedule, not demonstration prices.

Operating Policies

In the Medicare DMEPOS Competitive Bidding Demonstration, HCFA will test the effects and operational feasibility of competitive bidding to determine fee schedules for categories of DMEPOS covered by Medicare Part B for designated beneficiaries.

The demonstration's operating policies are broadly set in the RFB. However, changes may occur as the demonstration is developed and implemented. HCFA will notify all affected parties in writing of any changes in operating policy as soon as possible. HCFA's agent in this demonstration is Palmetto GBA; it will operate the bid evaluation and reimbursement processes on HCFA's behalf.

Below is a draft of the supplier agreement bidders will be asked to sign in order to become Demonstration Suppliers. HCFA reserves the right to make changes to this draft as necessary:

Agreement Between the Health Care Financing Administration and ***<Supplier's Legal Name>*** *for* ***<Product Category or Categories>***

Preamble

Whereas, the Balanced Budget Act of 1997 mandates that the Health Care Financing Administration (HCFA), carry out a demonstration of competitive bidding for Part B items and services.

Whereas, HCFA has authorized a demonstration for testing the effects and operational feasibility of competitive bidding to determine fee schedules for categories of durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) covered by Medicare Part B for program beneficiaries.

Whereas, HCFA through its agent Palmetto GBA, solicited bids from DMEPOS suppliers providing services to Medicare beneficiaries permanently residing in Bexar, Comal or Guadalupe counties of San Antonio, TX metropolitan area, hereinafter referred to as Service Areas.

Whereas, HCFA through its agent Palmetto GBA evaluated the bids submitted for quality and price.

Therefore, this Agreement is entered into by and between HCFA and **<Supplier's Legal Name>**, hereinafter referred to as the Demonstration Supplier, for the purpose of carrying out the Medicare DMEPOS Competitive Bidding Demonstration carried out in San Antonio, TX metropolitan area, hereinafter referred to as this Demonstration.

I. Demonstration Period

This Demonstration will operate in one cycle beginning January 1, 2001, and last for two years. Under current law, this Demonstration will be completed by December 31, 2002. If this Demonstration is delayed for any reason, HCFA will announce the new dates by mail. If the law is changed, HCFA reserves the right to operate a second round of bidding.

II. Jurisdiction

The five categories of products included in this Demonstration, hereinafter referred to as Designated Products, are hospital beds and accessories; oxygen contents, equipment and supplies; manual wheelchairs and accessories; non-customized orthotic devices; and nebulizer inhalation drugs.

Medicare Part B fee-for-service beneficiaries whose address of record with the Social Security Administration is in one of the Service Areas, hereinafter referred to as Designated Beneficiaries, are included in this Demonstration.

However, Designated Beneficiaries who are enrolled in a Medicare managed care plan are excluded from this Demonstration, including those who elect one of the Medicare+Choice options specified in the Balanced Budget Act of 1997.

Designated Beneficiaries excluded from this Demonstration will obtain DMEPOS according to current Medicare coverage and reimbursement guidelines.

III. Operating Policies

This Demonstration's operating policies are broadly set in the Request for Bids (RFB). However, changes may occur as this Demonstration is developed and implemented.

HCFA will notify in writing all affected parties of any changes to operating policy as soon as possible.

HCFA's agent in this Demonstration is Palmetto GBA; it will operate the bid evaluation and reimbursement process on HCFA's behalf.

IV. Subcontracting

The Demonstration Supplier may not routinely subcontract its business for Designated Products. However, the Demonstration Supplier may subcontract business for Designated Products when needed because of problems with product availability, transportation or service.

For each product category, subcontracting can account for no more than five percent of the Demonstration Supplier's claims.

V. Transfer of Demonstration Status

The Demonstration Supplier may not assign, or transfer to another, participation in this Demonstration or any right or obligation hereunder without prior written consent of HCFA.

If the Demonstration Supplier merges with or is acquired by a non-demonstration supplier, HCFA must approve the new entity for participation in this Demonstration. Similarly, if the Demonstration Supplier merges with or is acquired by another demonstration supplier, HCFA must approve the new entity for participation in this Demonstration.

The new entity must meet the requirements and standards set forth in Appendix A of the RFB and any other additional policies established by HCFA. If the new entity is approved for participation in this Demonstration, the terms and conditions of this Agreement will continue in full force and effect with the new entity.

VI. Cooperation

The Demonstration Supplier agrees to cooperate fully with HCFA and its agents in coordinating this Demonstration's activities and to resolve promptly issues or questions identified by HCFA or its agents.

VII. Demonstration Evaluation

HCFA has hired Research Triangle Institute, hereinafter referred to as the Evaluating Contractor, to evaluate this Demonstration. The Evaluating Contractor will offer reasonable notice of on-site inspections, which will be conducted at all parties' convenience.

The Demonstration Supplier agrees to cooperate fully with the data collection efforts by HCFA, its agents, and the Evaluating Contractor.

At no cost to the Evaluating Contractor, the Demonstration Supplier will (1) provide access to routinely collected information including claims data and medical, administrative, and payment records; (2) provide copies of data and records as needed; (3) allow the Evaluating Contractor access to supplier personnel; and (4) cooperate with the Evaluating Contractor in other data collection efforts, such as surveys and staff interviews.

An evaluation of this Demonstration will also be performed by the U.S. General Accounting Office (GAO). The Demonstration Supplier will also cooperate in answering questions or providing data to the GAO.

VIII. On-Site Inspections

The Demonstration Supplier agrees to allow on-site inspections of its premises, whether retail storefront/showroom, warehouse, or office, at any time while this Demonstration is in effect to assure the Demonstration Supplier's compliance with this Demonstration's operating policies. On-site inspections may or may not be prompted by a complaint.

HCFA's agents for these on-site inspections will typically, but are not required to, give prior notice of their visits.

In addition, this Demonstration's ombudsperson will conduct monitoring visits of the Demonstration Supplier at least annually.

IX. Minimum Length of Participation and Withdrawal Notification

Although this Demonstration will last for two years, the Demonstration Supplier may withdraw at the end of the first year, as described below. If the Demonstration Supplier continues into the second year, it agrees to participate for the entire second year.

In addition the Demonstration Supplier, if a supplier network member, must remain in the network to maintain its demonstration supplier status. If a supplier member leaves its network, the network may maintain demonstration supplier status. However the Demonstration Supplier, if a supplier network member, must provide HCFA written notice of its withdrawal no less than 90 days before the 12-month period ends. Any withdrawal notice must include a detailed explanation.

If the Demonstration Supplier is no longer able to participate in this Demonstration, it must provide HCFA written notice of its withdrawal no less than 90 days before the 12-month period ends. Any withdrawal notice must include a detailed explanation. If the Demonstration Supplier withdraws from this Demonstration, it must also notify its beneficiary customers in writing no later than 45 days prior to the effective date of termination.

Written notice should be directed to both (1) HCFA at 7500 Security Boulevard, MS C4-17-27, Baltimore MD 21244-1850, ATTN: Medicare DMEPOS Competitive Bidding Demonstration and (2) Palmetto GBA at AG-400, Medicare DMEPOS Competitive Bidding Demonstration, PO Box 100164, Columbia SC 29202-3164.

X. Demonstration Supplier Suspension or Termination

HCFA may suspend or terminate demonstration supplier status if the Demonstration Supplier (1) fails to comply with this Demonstration's terms and conditions; (2) has any adverse action, fine or sanction imposed against it by a government agency or quasi-governmental or licensing organization; or (3) fails to adhere to reasonable industry billing standards as outlined in the *DMERC Supplier Manual*.

HCFA will notify the Demonstration Supplier if it has non-compliance problems and may allow it to restore its good standing with this Demonstration. HCFA at its own discretion may develop a corrective action plan for the Demonstration Supplier. HCFA will promptly notify the Demonstration Supplier and the Designated Beneficiaries affected of its determination in writing.

XI. Re-Classifications

To ensure adequate inventory and service for the Service Areas, HCFA reserves the right to re-evaluate bidders previously classified as non-demonstration suppliers.

If the Demonstration Supplier withdraws its participation or is terminated, or if there is evidence that the number of demonstration suppliers is inadequate, one or more new demonstration suppliers may be chosen from those bidders not selected as demonstration suppliers during the bidding round.

HCFA may re-classify suppliers without conducting additional bidding rounds.

XII. Discretion Not to Proceed or Early Termination of Demonstration

HCFA reserves the right to discontinue this Demonstration at any time if it is no longer in the government's interest (e.g., if bids are above current or anticipated Medicare fee schedules).

If this Demonstration is discontinued, all parties will revert to standard Medicare reimbursement guidelines.

The government shall not be liable for expenses incurred by the Demonstration Supplier in connection with this Demonstration.

XIII. Expenses

HCFA will not pay for any expenses incurred by the Demonstration Supplier in conjunction with this Demonstration other than for appropriate Medicare claims as outlined in the RFB.

XIV. Federal Regulations

The Demonstration Supplier is subject to any changes in Medicare statute, regulations, and guidelines affecting the Medicare program, such as new supplier standards for obtaining or maintaining a National Supplier Clearinghouse identification number, during the tenure of this Demonstration.

XV. Supplier Obligations

The Demonstration Supplier's obligations under the Medicare program remain unchanged during the tenure of this Demonstration unless otherwise specified in the RFB or this Agreement.

XVI. Non-Discrimination

The products designated in this Demonstration shall be (1) accessible to Designated Beneficiaries and (2) available to them without discrimination and in accordance with all accepted professional practices and standards. Therefore, the Demonstration Supplier must provide designated products to Designated Beneficiaries as it would to all other customers.

This clause means that the Demonstration Supplier must serve Designated Beneficiaries with the same quality products, services, and deliveries as its other customers, whether paying privately or covered by other types of insurance.

XVII. End of Demonstration

All terms and conditions of this Demonstration will cease at the end of this Demonstration, regardless of when use of DMEPOS began.

This Demonstration's fee schedule will revert to the prevailing fee schedule or reasonable-charge reimbursement in effect with the Medicare program at the time this Demonstration ends.

XVIII. Attachments

(A) Supplier Standards (from RFB, Appendix A)
(B) Demonstration Fee Schedule
(C) Demonstration Supplier Listing

XIX. Signatures

In Witness Whereof, the Parties to This Agreement

The Demonstration Supplier

Signature of Responsible Officer _____

PRINT Name _____

PRINT Title _____

PRINT Date _____

The Health Care Financing Administration

Signature _____

PRINT Name _____

PRINT Title _____

PRINT Date _____

Appendix A: Requirements and Standards

Potential Demonstration Suppliers, including those providing demonstration products via direct mail or supply catalog orders, will be identified in part by their ability to meet or exceed the following requirements and standards at the time their bids are submitted. Suppliers selected as Demonstration Suppliers must continue to meet these requirements and standards throughout the entire length of the demonstration. All standards must be met and adhered to by parent companies or corporations as well as their respective bidding locations (when and where applicable).

Eligibility Requirements

(1) Suppliers must be enrolled in the Medicare program with an active National Supplier Clearinghouse (NSC) identification number. Consequently, bidders must meet all NSC-enforced supplier standards.

(2) Suppliers must comply with all State and Federal licensure and regulatory requirements.

(3) Suppliers must be in compliance with all Medicare and Medicaid statutes and regulations. A supplier sanctioned for violation(s) of these statutes shall forfeit its opportunity to bid. Demonstration Suppliers that are sanctioned during the demonstration will forfeit their demonstration status. A sanction is an official action by the Office of the Inspector General that bars the supplier from participating in the Medicare program during a specific time period, or indefinitely. The supplier must petition the Office of the Inspector General for reinstatement.

(4) Suppliers must be in compliance with all billing guidelines pertaining to Medicare. A supplier suspended within the past 12 months by any DMERC Anti-Fraud Unit shall forfeit its opportunity to bid or remain a Demonstration Supplier. Suppliers will be notified by mail if they are ineligible for this reason.

Supplier Standards

(1) Suppliers must be financially sound and able to serve expanding business as shown in their applications.

(2) Suppliers must maintain at least the number of facilities, product inventory, distribution systems and staffing levels required to meet their obligation to serve all customers as business expands.

(3) Suppliers must accept assignment on all claims for demonstration products. Suppliers must also accept that the demonstration price is the maximum they can collect in total from Medicare and the patient for demonstration products. (Medicare beneficiaries are limited to a 20 percent co-payment plus their annual Medicare Part B deductible.)

(4) Suppliers must submit claims electronically and provide accurate diagnosis codes, place of service codes, and other data elements on claims.

(5) Suppliers must meet qualifications and other requirements imposed by federal, state and local government agencies.

(6) Suppliers may not refuse to provide designated beneficiaries with demonstration products that the supplier normally provides to non-Medicare customers. Exceptions may be determined on a case-by-case basis.

General Quality and Service Standards

(1) Suppliers must maintain a formal mechanism for responding to complaints from patients and their caregivers.

(2) Suppliers must maintain normal business hours with staff available for telephone customer service and after-hours emergency service.

(3) Suppliers must adhere to appropriate infection control procedures for all equipment. Patients and their caregivers must also be taught proper infection control procedures.

(4) Suppliers must provide replacement (loaner) equipment to patients free of charge while the manufacturer or supplier repairs the patient's rental equipment. (Not applicable to orthotics suppliers).

(5) Suppliers must ensure qualified staff deliver, set-up and pick-up equipment and supplies. Suppliers must ensure service within a time frame consistent with the intentions of the patient's prescribing physician and discharge planner, when at least two to four hours lead-time is provided. (Not applicable to orthotics suppliers).

(6) Suppliers must educate and train patients and their caregivers upon initial delivery of the equipment and supplies and as often as dictated by regulations or prescription changes. Suppliers must provide patients and their caregivers all information provided by the manufacturer, which explains proper functioning and maintenance of the equipment.

(7) Suppliers must educate in a language and format readily understood by patients and their caregivers. In addition, suppliers must supplement the education with written instructions.

Furthermore, suppliers must observe demonstrations by patients and their caregivers that show they know how to use the equipment and supplies correctly and safely. Finally, suppliers must document that they have provided education and training to patients and their caregivers.

(8) Suppliers must have a written protocol of emergency procedures to be used in the event of a natural disaster. (Not applicable to orthotics suppliers).

(9) Suppliers must maintain invoices (receipts) signed by patients or their caregivers for delivery and pick-up of all equipment and supplies. (Orthotics suppliers must maintain proof of receipt of orthotic devices by patients).

(10) In cases where there is a need for ongoing use and delivery of supplies, suppliers must initially assess product use and routinely monitor the patient's needs to ensure quantities used are consistent with his or her prescribing physician's orders. (Not applicable to orthotics suppliers).

(11) Suppliers must clean, maintain, repair and otherwise service equipment.

(12) Suppliers must maintain a tracking mechanism to locate equipment and supplies in the event of a manufacturer recall.

(13) Suppliers' emergency response services must be available to patients at all times and include the following services at a minimum.

(a) Assess the patient's needs within two hours of his or her initial request.

(b) Replace equipment and supplies within 24 hours of the patient's initial request. (Orthotics suppliers must make patient contact within 24 hours of initial request. For oxygen requirements see standard 5, Home Oxygen Therapy Quality and Service Standards).

(c) If an emergency is medical, refer the patient directly to his or her physician, caregiver(s), or a "911" operator.

(14) Suppliers must have identification stickers on capped-rental equipment showing the company's name, address and telephone number.

Hospital Beds and Accessories
Quality and Service Standards

(1) Suppliers must pick-up equipment within two business days of the patient's initial request, except under extenuating circumstances, which must be documented.

(2) Suppliers must install equipment according to the manufacturer's guidelines.

(3) Suppliers must ensure equipment is functioning properly upon initial set-up.

(4) Suppliers' verbal and written education and training of patients and their caregivers should address the following topics at a minimum.

   (a) Safe use of cranks, side rails and controls when applicable

   (b) Proper equipment use for achieving the position(s) ordered by the patient's prescribing physician

   (c) Safety hazard of plugging equipment into ungrounded electrical outlets. Also provide written information that the manufacturer has made available to its distributors

(5) Suppliers must provide equipment suitable for the patient's use as intended and ordered by the prescribing physician. Documentation must be provided by the prescribing physician to justify additional features that exceed his or her initial order.

(6) Suppliers' repair and replacement services must be available at all times and include the following services at a minimum.

   (a) Respond to emergency requests by repairing or replacing equipment within 24 hours of the patient's initial request.

   (b) Respond to non-emergency requests by repairing or replacing equipment within 48 hours of the patient's initial request.

(7) Suppliers must maintain a tracking mechanism to locate equipment and supplies in the event of a manufacturer recall.

(8) Suppliers must provide capped-rental items according to capped-rental payment category guidelines. (See the *DMEPOS Supplier Manual*.)

(9) Suppliers must demonstrate how to properly operate bed controls as well as the safety precautions associated with side rails.

(10) When patients elect to purchase their hospital beds, pursuant to the capped-rental provisions outlined in the *DMEPOS Supplier Manual*, suppliers must notify the patient of his or her financial responsibility for subsequent repairs.

Oxygen Contents, Equipment and Supplies Quality and Service Standards

(1) Qualified supplier staff must select equipment and supplies for each patient.

(2) Suppliers must provide environmental assessments of patients' homes and use-and-safety training for patients and their caregivers.

(3) Supplier's verbal and written education and training of patients and their caregivers should address the following topics at a minimum.

(a) The importance of adhering to prescribed liter flow

(b) Proper use of equipment and supplies, including basic operating procedures

(c) Descriptions, assembly procedures and precautions for all accessories

(d) Safety precautions and hazards related to oxygen use

(e) Selecting the proper location for equipment in the home

(f) Routine care and daily maintenance of all equipment, including cleaning and disinfecting procedures

(g) Routine follow-up service procedures

(h) Emergency response procedures to prevent interruption of service

(4) Suppliers must follow-up as needed to ensure continued safe-and-proper use of equipment. Follow-up includes the following services.

(a) Perform scheduled quality control checks such as operational tests for safety.

(b) Provide preventive maintenance at defined intervals based on the manufacturer's guidelines.

(c) Replenish each patient's supplies as medically appropriate.

(5) Suppliers' emergency response services must be available at all times to prevent interruption of oxygen therapy in the event of a power outage or mechanical failure, for example, and include the following services at a minimum.

(a) Provide enough back-up oxygen to cover three times the supplier’s average response time.

(b) Contact each patient within two hours of his or her initial request.

(c) Replace equipment and supplies within a time frame that does not allow the patient to exhaust his or her back-up oxygen.

(d) If an emergency is medical, refer the patient directly to his or her physician, caregiver(s), or a “911” operator.

(6) Suppliers must handle, transport, repackage or otherwise dispense gaseous or liquid oxygen in complete compliance with Food and Drug Administration (FDA), Department of Transportation, Occupational Safety and Health Administration and Compressed Gas Association rules, regulations, guidelines and recommendations.

(7) Suppliers must meet current FDA purity and labeling regulations if used for transfilling.

(8) Suppliers must maintain a tracking mechanism to locate equipment and supplies in the event of a manufacturer recall.

(9) Suppliers must comply with the following requirements for specific types of oxygen equipment.

(a) Oxygen concentrators must ...

(i) Deliver the liter flow ordered by the prescribing physician;

(ii) Meet the manufacturer's standards or at least 85 percent at each liter flow level, whichever is greater;

(iii) Have a working alarm audible to the patient that will alert him or her in the event of a power outage or mechanical failure; and

(iv) Be double insulated or otherwise comply with Underwriter Lab grounding standards.

(b) Liquid oxygen reservoirs must ...

(i) Deliver the amount of oxygen ordered by the prescribing physician;

(ii) Include a contents indicator to determine remaining volume; and

(iii) Meet current FDA purity and labeling regulations, if used for transfilling.

(c) High pressure oxygen cylinders must ...

(i) Deliver the liter flow ordered by the prescribing physician;

(ii) Test and record current hydrostatic function. Suppliers must ensure at the time of transfilling that the expiration date stamped on the cylinder has not expired or will not expire before a patient uses it; and

(iii) Be safely secured with an appropriate stand or acceptable alternative.

(d) Portable oxygen systems must ...

(i) Deliver the liter flow ordered by the prescribing physician and

(ii) Be stand alone systems or compliments to stationary systems that allow patients to ambulate within their homes.

(iii) Not be used as a back up system. Back up systems are not separately reimbursed by Medicare.

(e) Oxygen accessories must ...

(i) Have quality and design features appropriate to the patient's needs, as ordered by his or her prescribing physician, and

(ii) Include items currently required under the Medicare Part B oxygen benefit, including transtracheal catheters when ordered by the prescribing physician.

(f) Oxygen conserving devices (passive or electric) must meet the patient's therapeutic needs, as determined by his or her prescribing physician. Medicare does not separately reimburse for these devices.

(10) Suppliers must arrange for the patient's oxygen needs to be met while he or she is traveling beyond the supplier's service area(s).

(11) Suppliers must train patients and their caregivers not to place oxygen near stoves or open flames. Suppliers should affix a "No Smoking – Oxygen in Use" sign to the front and back doors of the patient's home (or wherever guests enter the home).

(12) Oxygen filters should be checked pursuant to the manufacturer's guidelines.

Manual Wheelchairs and Accessories
Quality and Service Standards

(1) Suppliers may not drop-ship a wheelchair to the patient's home. Suppliers must deliver wheelchairs and accessories to patients in their homes.

(2) Suppliers must have qualified staff who ensure that the wheelchair and accessories are fitted to the patient and that he or she can use the wheelchair safely and effectively. They must also provide, upon request, certificates of attendance for manufacturer training sessions.

(3) Suppliers must assemble equipment according to the manufacturer's guidelines.

(4) Suppliers must provide equipment suitable for the patient's use as intended and ordered by the prescribing physician. Documentation must be provided by the prescribing physician to justify additional features that exceed his or her initial order.

(5) Suppliers' repair and replacement services must be available at all times and include the following services at a minimum.

(a) Respond to emergency requests by repairing or replacing equipment within 24 hours of the patient's initial request.

(b) Respond to non-emergency requests by repairing or replacing equipment within 48 hours of the patient's initial request.

(6) Suppliers must have access to an inventory of parts to be used for replacements.

(7) Suppliers must maintain a tracking mechanism that locates equipment and accessories in the event of a manufacturer recall. Suppliers must have documentation of the manufacturer, model and serial number for all equipment provided.

(8) Suppliers must ensure equipment is functioning properly upon initial set-up.

(9) Suppliers' verbal and written education and training of patients and their caregivers should address, at a minimum, proper equipment use for achieving the position(s) ordered by the patient's prescribing physician.

(10) Suppliers must ensure a wheelchair fits inside the patient's home properly.

(11) Suppliers must pick-up equipment within two business days of the patient's initial request, except under extenuating circumstances, which must be documented.

(12) Suppliers must provide capped-rental items according to capped-rental payment category guidelines.

(13) When patients elect to purchase their wheelchairs, pursuant to the capped-rental provisions outlined in the *DMEPOS Supplier Manual*, suppliers must notify the patient of his or her financial responsibility for subsequent repairs.

Non-Customized Orthotic Devices Quality and Service Standards

(1) Suppliers or orthotists can not initiate the primary assessment. The assessment and ordering process must begin with the patient's physician.

(2) Suppliers must ensure that the delivery process for orthotic supplies is appropriate to the patient's needs.

(3) Suppliers must provide orthotic equipment suitable for the patient's use as intended and ordered by the prescribing physician. Documentation must be provided by the prescribing physician to justify additional features that exceed his or her initial order. Orthotic consultants will review claims for "upcoded" items.

(4) Suppliers who furnish orthotic devices are responsible for properly fitting orthotic appliances to the patient.

(5) Suppliers' verbal and written education and training of patients and their caregivers should address the appropriate use of orthotic supplies and equipment for achieving the positions ordered by their prescribing physicians.

(6) Suppliers' repair and replacement services must be available and suppliers must respond within 24 hours of the patient's initial request.

(7) Suppliers must ensure all information provided by the manufacturer pertaining to the equipment's proper functioning and maintenance is provided to the patients and their caregivers.

(8) Suppliers must maintain a tracking mechanism to locate orthotic equipment and supplies in the event of a manufacturer recall.

Nebulizer Inhalation Drugs
Quality and Service Standards

(1) Suppliers must develop and maintain an inventory of medications in the pharmacy that are readily available when ordered.

(2) Suppliers must select medications on the basis of the patient's need; the medication's effectiveness, risk and cost; and the ordering physician's prescribing practices.

(3) Suppliers must advise patients and their caregivers of possible medication interactions.

(4) Suppliers must obtain and periodically update medication profiles.

(5) Suppliers must have a written protocol for procuring medications not readily available in inventory. Suppliers must be able to procure medications and appropriate supplies on an emergency basis, 24 hours a day, seven days a week, as needed for specific patients.

(6) Suppliers must verify that individuals who provide medications are legally authorized to do so and that pharmacists review each prescription before dispensing the medication to patients and their caregivers.

(7) Suppliers must ensure that proper conditions for medications' security, storage, and preparation are maintained and that the storage or delivery processes used ensure drug stability and potency.

(8) Suppliers must ensure that medications are dispensed safely and accurately for the patient to whom they are prescribed.

(9) Suppliers must ensure that all medications are appropriately labeled according to applicable laws and regulations and that the quantity of medication dispensed is consistent with the patient's needs.

(10) Suppliers must have a written protocol for recalling medications that identifies each patient who is receiving or has received the recalled medication and identifies the recalled medication's source.

(11) Suppliers must inform patients and caregivers when the initial prescription is dispensed of the supplier's protocol for providing refills.

Appendix B: Utilization Data

Data in the following tables are provided to help bidders estimate designated product demand by beneficiaries during the two-year period covered by the demonstration. The data is based on 1998 Medicare claims history for Part B beneficiaries permanently residing in the San Antonio metropolitan area. The data include only claims for which Medicare allowed some portion of the charge submitted. Claims filed by suppliers outside of the demonstration site for designated beneficiaries are included in the data.

Note that some tables show data for HCPCS codes E1400, E1401, E1402, E1403 and E1404. These codes were valid in 1998 but were replaced by HCPCS code E1390 as of April 1, 2000. Bidders for the oxygen contents, equipment and supplies product category should take this into account when referencing the utilization data. Data for nebulizer drugs are based on the K codes valid in 1998, which were replaced by the J codes listed in the tables.

Table B-1: Medicare Beneficiaries in 1998

Table B-1 is a monthly tabulation of all users for each product category. It separates beneficiary users into two groups.

(1) The TOTAL number of beneficiary users

These data are the total number of beneficiaries whose claims were allowed by Medicare for any item in the product category. It includes new beneficiaries, who used a designated product within the product category for the first time that month, as well as established users, who used a designated product within the product category in at least one of the previous two months. These data will help bidders estimate the total number of beneficiary users for each product category on a monthly basis.

(2) The number of beneficiaries for whom claims were not allowed during the two months prior (likely NEW users)

These data are the number of beneficiaries whose claims were allowed by Medicare for any item within the product category but for whom Medicare allowed no claims for the

designated product during the previous two months. These data will help bidders estimate the number of new beneficiary users for each product category on a monthly basis.

Table B-2: Claims Submitted in 1998

Data in Table B-2 are based on 1998 claims for beneficiaries permanently residing in the demonstration site. Table B-2 comes from the same claims database as Table B-1 but provides data for each designated product. The data in Table B-2 gives bidders a detailed history of designated-beneficiary users.

For each product category the table lists the HCPCS code and the total number of claims allowed by Medicare. For each code, the totals are broken out by rentals, purchases and maintenance/service. Rental history is further broken down into initial, subsequent (follow-up) and other categories based on the code's modifier. Purchases are broken down into new and used categories based on the code's modifier. Codes and modifiers for which data showed no activity in 1998 are not included in the table.

Tables B-3 Through B-5: Rentals, Purchases, and Maintenance/Service

Data in Tables B-3 through B-5 are based on 1998 claims for beneficiaries permanently residing in the demonstration site. For each product category the table lists the HCPCS code and the total number of claims and dollars (CHARGES) allowed by Medicare. For each code in Tables B-3 and B-4, the totals are broken out by modifier. Codes and modifiers for which data showed no activity in 1998 are not included in the tables.

(1) Table B-3: Medicare-Allowed Rentals in 1998

(2) Table B-4: Medicare-Allowed Purchases in 1998

(3) Table B-5: Medicare-Allowed Maintenance in 1998

Tables B-3 through B-5 come from the same claims database as Table B-1 but provide data for each designated product. The data in Tables B-3 through B-5 give bidders a detailed history of designated-beneficiary users.

Table B-6: Allowed Charges in 1998

Data in Table B-6 are based on 1998 claims for beneficiaries permanently residing in the demonstration site. Four Places of Service (POS) are listed: home, skilled nursing facility, nursing facility, and custodial care facility. Service areas are also shown.

The table lists allowed charges and number of beneficiary users by POS for each product category. Allowed charges and beneficiary users are broken out by service area within the demonstration site. Beneficiary users within a POS are unduplicated; that is, each beneficiary is counted only once regardless of how many products or claims Medicare processed for the beneficiary in that POS.

Table B-1: Medicare Beneficiaries in 1998

	Hospital Beds		***Oxygen***		***Wheelchairs***		***Orthotics***		***Nebulizer Drugs***	
	TOTAL	NEW	TOTAL	NEW	TOTAL	NEW	TOTAL	NEW	TOTAL	NEW
January	1,438	401	1,599	254	2,278	594	108	102	584	175
February	1,358	252	1,608	113	2,168	365	130	114	511	111
March	1,425	293	1,611	96	2,238	377	123	109	557	123
April	1,367	277	1,618	104	2,204	371	127	117	578	145
May	1,450	365	1,633	103	2,227	430	114	106	562	117
June	1,385	279	1,628	83	2,233	434	135	127	538	111
July	1,378	256	1,618	78	2,221	404	101	94	576	107
August	1,283	232	1,587	75	2,145	385	126	109	516	113
September	1,316	264	1,582	78	2,148	405	114	101	515	103
October	1,275	233	1,566	74	2,120	395	117	110	501	113
November	1,204	282	1,385	50	1,914	380	110	101	454	97
December	1,180	241	1,437	82	1,964	404	110	103	497	118

Table B-2: Claims Submitted in 1998

Hospital Beds		***Rentals***			***Purchases***		***Mainten. & Service***
HCPCS Code	TOTAL	KH	KI/KJ	OTHER	NU	UE	MS
E0250	234	32	174				28
E0255	746	91	565				90
E0260	12,883	1,450	10,399				1,034
E0261	371	37	303				31
E0265	276	1	8				267
E0266	3						3
E0271	38			13	25		
E0272	4				4		
E0280	2				2		
E0290	5	2	2				1
E0292	1		1				
E0294	11	3	6				2
E0295	410	366					44
E0305	49	7	42				
E0310	2			1	1		
E0910	3,660	354	2,925				381
E0940	577	49	446				82
Total	19,272	2,392	14,871	14	32		1,963

Oxygen		***Rentals***			***Purchases***		***Mainten. & Service***
HCPCS Code	TOTAL	KH	KI/KJ	OTHER	NU	UE	MS
E0424	34			34			
E0431	14,955			14,955			
E0434	1,089			1,089			
E0439	1,211			1,211			
E1400	2,970			2,970			
E1401	5,748			5,748			
E1402	3,399			3,399			
E1403	5,175			5,175			
E1404	79			79			
E0441	13				13		
E0442	16				16		

Oxygen (Continued) ***Rentals*** ***Purchases*** ***Mainten. & Service***

HCPCS Code	TOTAL	KH	KI/KJ	OTHER	NU	UE	MS
E0443	19				19		
Total	34,708			34,660	48		

Wheelchairs ***Rentals*** ***Purchases*** ***Mainten. & Service***

HCPCS Code	TOTAL	KH	KI/KJ	OTHER	NU	UE	MS
E1031	393	47	314				32
K0001	10,672	1,054	8,671				947
K0002	619	91	469				59
K0003	8,286	819	6,884				583
K0004	4,395	377	3,742				276
K0005	5				5		
K0006	585	40	494				51
K0007	75	9	52				14
K0015	11			9	2		
K0016	417			226	191		
K0020	4				4		
K0021	1,062			473	589		
K0023	43			8	35		
K0024	220				220		
K0025	79				79		
K0028	114			60	53	1	
K0030	256			22	234		
K0031	632			40	592		
K0032	1				1		
K0033	1				1		
K0034	151			89	62		
K0035	4				4		
K0036	2				2		
K0037	3			3			
K0038	2				2		
K0039	4			4			
K0040	19			8	11		
K0041	1				1		
K0042	1				1		

Wheelchairs (Continued) ***Rentals*** ***Purchases*** ***Mainten. & Service***

HCPCS Code	TOTAL	KH	KI/KJ	OTHER	NU	UE	MS
K0043	2				2		
K0045	3				3		
K0048	321			199	122		
K0052	8				8		
K0053	6			4	2		
K0054	17			10	7		
K0055	20			15	5		
K0056	16			11	5		
K0057	36			25	11		
K0059	2				2		
K0062	2			1	1		
K0063	1				1		
K0064	29				29		
K0066	4				4		
K0067	43			18	25		
K0068	18			18			
K0070	3				3		
K0071	8				8		
K0072	2				2		
K0073	1				1		
K0075	26			18	8		
K0077	1				1		
K0079	294			172	122		
K0080	10			5	5		
K0081	23			1	22		
K0100	14			13	1		
K0101	50	6	42				2
K0103	40			1	39		
K0104	91			51	40		
K0106	50				50		
K0195	6,158	641	5,047				470
K0452	3				3		
Total	35,359	3,084	25,715	1,504	2,621	1	2,434

Orthotics		*Rentals*	*Purchases by Benes. Living at Home*		*Purchases by Benes. In Nursing Homes*		*Mainten. & Service*
HCPCS Code	TOTAL	ALL CAT.	NU	UE	NU	UE	MS
L1800	41		41				
L1810	8		7		1		
L1815	17		17				
L1820	43		43				
L1825	26		26				
L1830	41		41				
L1832	76		25		51		
L1850	6		6				
L1902	10		10				
L1906	38		38				
L1930	156		52		104		
L2112	17		17				
L2114	34		34				
L2116	7		6		1		
L2132	1		1				
L2134	1		1				
L2136	1				1		
L2180	2		1		1		
L2182	2		1		1		
L2210	60		60				
L2220	43		40		3		
L3650	15		15				
L3670	16		13		3		
L3700	37		37				
L3720	29		28		1		
L3730	65		9		56		
L3800	95		70		25		
L3805	377		75		302		
L3810	90		27		63		
L3825	2				2		
L3840	3				3		
L3850	3		3				
L3855	158		37		121		
L3860	84		51		33		

Orthotics (Continued)	*Rentals*	*Purchases by Benes. Living at Home*		*Purchases by Benes. In Nursing Homes*		*Mainten. & Service*
HCPCS Code	TOTAL	ALL CAT.	NU	UE	NU	UE	MS
L3980	10		8		2		
L3982	16		16				
L3984	5		5				
L3995	7		5		2		
L4350	66		66				
L4360	94		94				
L4380	1		1				
L4392	42		3		39		
L4396	170		39		131		
L4398	2		2				
Total	2,017		1,071		946		

Nebulizer Drugs	*Rentals*				*Purchases*		*Mainten. & Service*
HCPCS Code	TOTAL	KH	KI/KJ	OTHER	NU	UE	MS
E0590	6,189				6,189		
J7608	50				50		
J7618	115				115		
J7619	6,019				6,019		
J7631	121				121		
J7636	4				4		
J7639	2				2		
J7644	2,458				2,458		
J7659	5				5		
J7669	105				105		
J7681	10				10		
J7684	5				5		
Total	15,083				15,083		

Table B-3: Medicare Allowed Rentals in 1998

Hospital Beds

HCPCS Code	TOTAL UNITS	CHARGES	INIT (KH)	CHARGES	SUB (KI/KJ)	CHARGES	OTHER	CHARGES
E0250	206	$ 16,376	32	$ 2,984	174	$ 13,392		
E0255	656	$ 61,401	91	$ 10,201	565	$ 51,200		
E0260	11,849	$ 1,573,499	1,450	$ 231,790	10,399	$ 1,341,709		
E0261	340	$ 36,568	37	$ 4,837	303	$ 31,731		
E0265	9	$ 1,478	1	$ 191	8	$ 1,287		
E0271	100	$ 255					100	$ 255
E0290	4	$ 285	2	$ 143	2	$ 143		
E0292	1	$ 80			1	$ 80		
E0294	9	$ 982	3	$ 359	6	$ 623		
E0295	366	$ 33,170			366	$ 33,170		
E0305	49	$ 696	7	$ 119	42	$ 577		
E0310	30	$ 25					30	$ 25
E0910	3,279	$ 51,256	354	$ 6,727	2,925	$ 44,529		
E0940	495	$ 13,405	49	$ 1,617	446	$ 11,788		
Total	17,393	$ 1,789,476	2,026	$ 258,967	15,237	$ 1,530,229	130	$ 280

Oxygen

HCPCS Code	TOTAL UNITS	CHARGES	INIT (KH)	CHARGES	SUB (KI/KJ)	CHARGES	OTHER	CHARGES
E0424	34	$ 8,335					34	$ 8,335
E0431	32,359	$ 575,803					32,359	$ 575,803
E0434	4,423	$ 41,891					4,423	$ 41,891
E0439	7,318	$ 295,386					7,318	$ 295,386

Oxygen (Continued)

HCPCS Code	TOTAL UNITS	CHARGES	INIT (KH)	CHARGES	SUB (KI/KJ)	CHARGES	OTHER	CHARGES
E1400	2,970	$ 726,398					2,970	$ 726,398
E1401	5,761	$ 1,408,658					5,761	$ 1,408,658
E1402	3,399	$ 833,299					3,399	$ 833,299
E1403	5,184	$ 1,267,834					5,184	$ 1,267,834
E1404	79	$ 19,302					79	$ 19,302
Total	61,527	$ 5,176,904	0	$ -	0	$ -	61,527	$ 5,176,904

Wheelchairs

HCPCS Code	TOTAL UNITS	CHARGES	INIT (KH)	CHARGES	SUB (KI/KJ)	CHARGES	OTHER	CHARGES
E1031	361	$ 14,431	47	$ 2,264	314	$ 12,167		
K0001	9,725	$ 416,444	1,054	$ 54,900	8,671	$ 361,544		
K0002	560	$ 36,730	91	$ 7,032	469	$ 29,697		
K0003	7,703	$ 541,043	819	$ 69,782	6,884	$ 471,262		
K0004	4,119	$ 427,046	377	$ 47,989	3,742	$ 379,057		
K0006	534	$ 51,165	40	$ 4,718	494	$ 46,446		
K0007	61	$ 8,768	9	$ 1,532	52	$ 7,235		
K0015	9	$ 156					9	$ 156
K0016	226	$ 1,970					226	$ 1,970
K0021	485	$ 2,961					485	$ 2,961
K0023	8	$ 68					8	$ 68
K0028	60	$ 2,667					60	$ 2,667
K0030	22	$ 133					22	$ 133
K0031	40	$ 153					40	$ 153
K0034	89	$ 137					89	$ 137

Wheelchairs (Continued)

HCPCS Code	TOTAL UNITS	CHARGES	INIT (KH)	CHARGES	SUB (KI/KJ)	CHARGES	OTHER	CHARGES
K0037	3	$ 12					3	$ 12
K0039	4	$ 21					4	$ 21
K0040	8	$ 57					8	$ 57
K0048	199	$ 2,119					199	$ 2,119
K0053	4	$ 39					4	$ 39
K0054	10	$ 100					10	$ 100
K0055	15	$ 127					15	$ 127
K0056	11	$ 91					11	$ 91
K0057	25	$ 296					25	$ 296
K0062	1	$ 6					1	$ 6
K0067	18	$ 59					18	$ 59
K0068	18	$ 10					18	$ 10
K0075	18	$ 68					18	$ 68
K0079	177	$ 936					177	$ 936
K0080	5	$ 69					5	$ 69
K0081	1	$ 4					1	$ 4
K0100	13	$ 107					13	$ 107
K0101	48	$ 1,532	6	$ 228	42	$ 1,304		
K0103	1	$ 5					1	$ 5
K0104	51	$ 555					51	$ 555
K0195	5,688	$ 93,911	641	$ 12,723	5,047	$ 81,188		
Total	30,320	$ 1,603,995	3,084	$ 201,169	25,715	$ 1,389,900	1,521	$ 12,926

Table B-4: Medicare-Allowed Purchases in 1998

Hospital Beds

HCPCS Code	TOTAL	CHARGES	NEW (NU)	CHARGES	USED (UE)	CHARGES
E0271	25	$ 4,869	25	$ 4,869		
E0272	4	$ 706	4	$ 706		
E0280	2	$ 73	2	$ 73		
E0310	1	$ 150	1	$ 150		
Total	32	$ 5,797	32	$ 5,797		

Oxygen

HCPCS Code	TOTAL	CHARGES	NEW (NU)	CHARGES	USED (UE)	CHARGES
E0441	54	$ 657	54	$ 657		
E0442	16	$ 2,731	16	$ 2,731		
E0443	76	$ 371	76	$ 371		
Total	146	$ 3,758	146	$ 3,758		

Wheelchairs

HCPCS Code	TOTAL	CHARGES	NEW (NU)	CHARGES	USED (UE)	CHARGES
K0005	5	$ 8,817	5	$ 8,817		
K0015	3	$ 353	3	$ 353		
K0016	284	$ 26,200	284	$ 26,200		
K0020	4	$ 177	4	$ 177		
K0021	942	$ 49,688	942	$ 49,688		
K0023	35	$ 2,992	35	$ 2,992		
K0024	220	$ 22,262	220	$ 22,262		
K0025	79	$ 5,297	79	$ 5,297		
K0028	53	$ 23,220	53	$ 23,220		
K0030	234	$ 18,009	234	$ 18,009		
K0031	592	$ 23,318	592	$ 23,318		
K0032	1	$ 37	1	$ 37		
K0033	1	$ 37	1	$ 37		
K0034	102	$ 1,560	102	$ 1,560		
K0035	6	$ 143	6	$ 143		
K0036	2	$ 32	2	$ 32		
K0038	3	$ 69	3	$ 69		
K0040	15	$ 1,068	15	$ 1,068		

Wheelchairs (Continued)

HCPCS Code	TOTAL	CHARGES	NEW (NU)	CHARGES	USED (UE)	CHARGES
K0041	1	$ 50	1	$ 50		
K0042	1	$ 35	1	$ 35		
K0043	2	$ 37	2	$ 37		
K0045	3	$ 162	3	$ 162		
K0048	185	$ 19,707	185	$ 19,707		
K0052	12	$ 1,058	12	$ 1,058		
K0053	2	$ 195	2	$ 195		
K0054	7	$ 699	7	$ 699		
K0055	5	$ 454	5	$ 454		
K0056	5	$ 454	5	$ 454		
K0057	11	$ 1,303	11	$ 1,303		
K0059	2	$ 61	2	$ 61		
K0062	2	$ 116	2	$ 116		
K0063	2	$ 155	2	$ 155		
K0064	76	$ 2,204	76	$ 2,204		
K0066	6	$ 139	6	$ 139		
K0067	38	$ 1,201	38	$ 1,201		
K0070	4	$ 699	4	$ 699		
K0071	12	$ 1,250	12	$ 1,250		
K0072	2	$ 125	2	$ 125		
K0073	2	$ 64	2	$ 64		
K0075	16	$ 543	16	$ 543		
K0077	2	$ 112	2	$ 112		
K0079	128	$ 6,416	128	$ 6,416		
K0080	6	$ 678	6	$ 678		
K0081	26	$ 944	26	$ 944		
K0100	1	$ 82	1	$ 82		
K0103	40	$ 1,724	40	$ 1,724		
K0104	40	$ 4,462	40	$ 4,462		
K0106	85	$ 8,688	85	$ 8,688		
K0452	7	$ 41	7	$ 41		
K0028	1	$ 332			1	$ 332
Total	3,313	$ 237,471	3,312	$ 237,139	1	$ 332

Orthotics ***In the Bene's Home*** ***In a Nursing Home***

HCPCS Code	TOTAL	CHARGES	NEW (NU)	CHARGES	NEW (NU)	CHARGES
L1800	42	$ 2,249	42	$ 2,249		
L1810	9	$ 664	8	$ 590	1	$ 75
L1815	18	$ 1,056	18	$ 1,056		
L1820	46	$ 3,842	46	$ 3,842		
L1825	26	$ 1,019	26	$ 1,019		
L1830	41	$ 2,186	41	$ 2,186		
L1832	114	$ 48,136	28	$ 11,419	86	$ 36,717
L1850	6	$ 936	6	$ 936		
L1902	10	$ 483	10	$ 483		
L1906	39	$ 2,199	39	$ 2,199		
L1930	244	$ 52,874	81	$ 17,045	163	$ 35,829
L2112	17	$ 2,825	17	$ 2,825		
L2114	34	$ 5,989	34	$ 5,989		
L2116	7	$ 1,720	6	$ 1,172	1	$ 547
L2132	1	$ 634	1	$ 634		
L2134	1	$ 102	1	$ 102		
L2136	1	$ 898			1	$ 898
L2180	2	$ 218	1	$ 109	1	$ 109
L2182	3	$ 240	2	$ 160	1	$ 80
L2210	110	$ 5,123	110	$ 5,123		
L2220	84	$ 5,113	81	$ 4,930	3	$ 183
L3650	15	$ 461	15	$ 461		
L3670	16	$ 960	13	$ 719	3	$ 240
L3700	40	$ 847	40	$ 847		
L3720	51	$ 25,495	50	$ 24,978	1	$ 517
L3730	82	$ 62,033	12	$ 9,082	70	$ 52,951
L3800	131	$ 11,170	105	$ 7,625	26	$ 3,545
L3805	432	$ 107,756	92	$ 22,098	340	$ 85,658
L3810	120	$ 5,228	40	$ 1,693	80	$ 3,535
L3825	3	$ 167			3	$ 167
L3840	3	$ 171			3	$ 171
L3850	3	$ 90	3	$ 90		
L3855	171	$ 16,387	50	$ 4,792	121	$ 11,595
L3860	110	$ 15,973	67	$ 9,735	43	$ 6,238
L3980	10	$ 2,341	8	$ 1,839	2	$ 502

Orthotics (Continued) ***In the Bene's Home*** ***In a Nursing Home***

HCPCS Code	TOTAL	CHARGES	NEW (NU)	CHARGES	NEW (NU)	CHARGES
L3982	16	$ 3,372	16	$ 3,372		
L3984	5	$ 492	5	$ 492		
L3995	8	$ 233	6	$ 175	2	$ 58
L4350	66	$ 3,921	66	$ 3,921		
L4360	95	$ 16,371	95	$ 16,371		
L4380	1	$ 75	1	$ 75		
L4392	66	$ 1,196	4	$ 103	62	$ 1,093
L4396	274	$ 34,327	46	$ 5,656	228	$ 28,671
L4398	2	$ 116	2	$ 116		
Total	2,575	$ 447,686	1,334	$ 178,305	1,241	$ 269,380

Nebulizer Drugs

HCPCS Code	TOTAL	CHARGES	NEW (NU)	CHARGES	USED (UE)	CHARGES
E0590	7,586	$ 36,884	7,586	$ 36,884		
J7608	2,032	$ 11,122	2,032	$ 11,122		
J7618	34,500	$ 4,740	34,500	$ 4,740		
J7619	1,789,965	$ 830,074	1,789,965	$ 830,074		
J7631	24,718	$ 8,107	24,718	$ 8,107		
J7636	77	$ 29	77	$ 29		
J7639	150	$ 2,058	150	$ 2,058		
J7644	154,935	$ 486,559	154,935	$ 486,559		
J7659	630	$ 246	630	$ 246		
J7669	17,364	$ 14,470	17,364	$ 14,470		
J7681	1,000	$ 2,090	1,000	$ 2,090		
J7684	681	$ 68	681	$ 68		
Total	2,026,052	$ 1,359,561	2,026,052	$ 1,359,561		

Table B-5: Medicare Allowed Maintenance & Service in 1998

Hospital Beds

HCPCS Code	UNITS	CHARGES
E0250	28	$ 2,630
E0255	90	$ 9,700
E0260	1,034	$ 164,642
E0261	31	$ 4,049
E0265	267	$ 49,310
E0266	3	$ 508
E0290	1	$ 71
E0294	2	$ 249
E0295	44	$ 5,327
E0910	381	$ 7,212
E0940	82	$ 2,664

Wheelchairs

HCPCS Code	UNITS	CHARGES
E1031	32	$ 1,527
K0001	947	$ 48,971
K0002	59	$ 4,527
K0003	583	$ 49,287
K0004	276	$ 34,368
K0006	51	$ 5,945
K0007	14	$ 2,383
K0101	2	$ 72
K0195	470	$ 8,457

Table B-6: Medicare-Allowed Charges in 1998

		Home		*Skilled Nursing Facility*		*Nursing Facility*		*Custodial Care Facility*	
		CHARGES	BENES	CHARGES	BENES	CHARGES	BENES	CHARGES	BENES
Hospital Beds	Bexar Co.	$ 1,784,423	3,200					$ 1,132	2
	Comal Co.	$ 85,596	154						
	Guadalupe Co.	$ 118,879	202						
Oxygen	Bexar Co.	$ 4,091,788	1,989					$ 3,264	4
	Comal Co.	$ 472,480	234					$ 284	1
	Guadalupe Co.	$ 468,498	227						
Wheelchairs	Bexar Co.	$ 1,702,233	4,909					$ 3,724	6
	Comal Co.	$ 128,813	315						
	Guadalupe Co.	$ 118,706	348						
Orthotics	Bexar Co.	$ 146,182	630	$ 83,547	169	$ 132,482	259	$ 5,864	12
	Comal Co.	$ 17,613	89	$ 14,282	28	$ 2,951	4		
	Guadalupe Co.	$ 6,687	41	$ 8,405	20	$ 18,131	28		
Nebulizer Drugs	Bexar Co.	$ 1,076,546	1,180					$ 304	1
	Comal Co.	$ 121,587	99						
	Guadalupe Co.	$ 137,369	155						

Appendix C: Financial Ratios

The information suppliers provide on Form F: Financial Data will be used to calculate the following ratios.

(1) *Return on Sales (Profit Margin) Ratio*: "This reveals the profits earned per dollar of sales and therefore measures the efficiency of the operation. Return must be adequate for the firm to be able to achieve satisfactory profits for its owners. This ratio is an indicator of the firm's ability to withstand adverse conditions such as falling prices, rising costs and declining sales." (*Industry Norms & Key Business Ratios: Retailing* [New York: Dunn & Bradstreet, 1998, p. v.])

(2) *Return on Assets Ratio*: "This ratio is the key indicator of profitability for a firm. It matches operating profits with the assets available to earn a return. Companies efficiently using their assets will have a relatively high return while less well-run businesses will be relatively low." (Ibid)

(3) *Accounts Payable to Sales Ratio*: "This ratio measures how the company is paying its suppliers in relation to the volume being transacted.... This ratio is especially important to short-term creditors since a high percentage could indicate potential problems in paying vendors." (Ibid, p. iv)

(4) *Current Ratio*: "This ratio measures the degree to which current assets cover current liabilities. The higher the ratio the more assurance exists that the retirement of current liabilities can be made. The current ratio measures the margin of safety available to cover any possible shrinkage in the value of current assets." (Ibid, p. iii)

(5) *Sales to Inventory Ratio*: "Inventory control is a prime management objective since poor controls allow inventory to become costly to store, obsolete or insufficient to meet demands. The sales-to-inventory relationship is a guide to the rapidity at which merchandise is being moved and the effect on the flow of funds into the business.... [E]xtremely high turnovers might reflect insufficient merchandise to meet customer demand and result in lost sales.... [A] company's figure is only meaningful when compared with industry norms." (Ibid, p. iv)

(6) *Current Liabilities to Inventory*: "Dividing current liabilities by inventory yields another indication of the extent to which the business relies on funds from disposal of unsold inventories to meet its debts. This ratio combines with Net Sales to Inventory to indicate how management controls inventory. It is possible to have decreasing liquidity while

maintaining consistent sales-to-inventory ratios. Large increases in sales with corresponding increases in inventory levels can cause an inappropriate rise in current liabilities if growth isn't made wisely." (Ibid, p. iii)

(7) *Collection Period*: Accounts Receivable are divided by Gross Sales and then multiplied by 30 days. This ratio quantifies suppliers' efficiency in collecting outstanding balances. The quality of the Accounts Receivable can be determined by this relationship when compared with selling terms and industry norms.

Appendix D: Glossary

Adjusted Bid Price: The supplier's bid price for a demonstration product multiplied by the supplier's ratio.

BEP: Bid Evaluation Panel

Beneficiary Co-Payment: The percentage of covered medical expenses for which the beneficiary is responsible. For Medicare Part B, the co-payment equals twenty percent of the maximum Medicare allowance.

Bid Evaluation Panel: Experienced Palmetto GBA DMEPOS staff and subcontractors who will evaluate suppliers' bids.

Bid Price: The amount for which a supplier offers to provide a demonstration item to Medicare and Designated beneficiaries during the demonstration cycle.

Bidders' Conference: A meeting sponsored by HCFA and designed to provide potential bidders technical details of the demonstration and the bidding forms. HCFA will respond to questions about the procurement. Attendance is recommended but not required.

Bidding Round: The period of time ranging from the release of the Request For Bids through selection of the Demonstration Suppliers.

Bid-Evaluation Panel: Group of individuals selected by HCFA to evaluate and score, by assigning points, bidders' proposals. The panel will be made up of experienced Palmetto GBA DMEPOS staff and subcontractors.

CMN: Certificate of Medical Necessity

Commerce Business Daily: A daily list of U.S. government procurement invitations, contract awards, subcontracting leads, sales of surplus property and foreign business opportunities.

Competitive Bidding: A process by which individuals or organizations contend against each other to win a contract by offering the best value to the customer. The prices and terms offered are compared and a subset of bidders selected to supply items and services. It allows the customer to take advantage of marketplace dynamics that are likely to lower prices.

Competitive Range: Phrase used to describe the subset of suppliers whose composite bid prices equal or are less than the cutoff composite bid price for the product category.

Composite Bid Price: The total amount a supplier bids for a product category. It is the sum of the supplier's weighted bid prices for each demonstration product in the product category.

Consolidated Billing: A comprehensive billing requirement, similar to the one that has been in effect for inpatient hospital services for more than a decade, under which a skilled nursing facility is responsible for billing Medicare for virtually all of the services that its residents receive.

Cutoff Composite Bid Price: The dollar amount which suppliers' composite bid prices must be equal to or less than for their bids to be in the competitive range.

Cutoff Supplier: The bidder whose composite bid price equals the cutoff composite bid price for the product category.

Debriefing: A meeting sponsored by HCFA and designed to notify bidders of the bid evaluation results.

Demonstration Cycle: Preceded by a bidding round, a demonstration cycle is the period of time ranging from the establishment of demonstration prices until the next demonstration cycle begins or the current demonstration cycle ends.

Demonstration Product: A specific DMEPOS item selected for the demonstration. Each demonstration product is identified by its HCPCS code.

Demonstration Site: The geographic region selected in which to conduct the demonstration. It may consist of all or part of a metropolitan statistical area.

Demonstration Supplier: A bidding supplier chosen by HCFA to provide one or more product categories to Designated beneficiaries. A supplier is not officially a Demonstration Supplier until it returns its signed supplier agreement.

Designated Beneficiaries: Specific Medicare Part B beneficiaries who are included in the demonstration because they permanently reside in the demonstration site.

DMEPOS: Durable Medical Equipment, Prosthetics, Orthotics and Supplies

DMERC: Durable Medical Equipment Regional Carrier

Estimated Volume: The quantity of a demonstration product that Medicare paid for on behalf of beneficiaries during a given year or quarter.

FDA: Food and Drug Administration

Federal Acquisition Regulation System: Created to establish uniform policies and procedures for certain government acquisition contracts and developed in accordance with the requirements of the Office of Federal Procurement Policy Act of 1974, as amended in 1985.

Fee Schedule: A list of maximum payments for specified Medicare services based on the relative value of the procedure.

GAO: General Accounting Office

HCFA: Health Care Financing Administration

HCPCS: HCFA Common Procedure Coding System

HMO: Health Maintenance Organization

LPM: Liters Per Minute

Medicare Reimbursement: Eighty percent of the maximum Medicare allowance.

Medicare+Choice: A broader array of health plans in addition to original Medicare and health maintenance organizations that includes preferred provider organizations, provider sponsored organizations, private fee-for-service plans and a medical savings account.

Metropolitan Statistical Area: A statistical standard developed by the U.S. Census Bureau for use by federal agencies in the production, analysis and publication of data on geographic areas dominated by a city.

Network Member Supplier: Any member of a network who is not the primary supplier

Network: A group of two or more eligible suppliers bidding together as a single entity. Networks designate a primary supplier to assume billing responsibilities if the network is selected as a Demonstration Supplier.

Non-Demonstration Supplier: A supplier that is not eligible for Medicare reimbursement when providing demonstration products to Designated beneficiaries. Non-Demonstration Suppliers may provide certain demonstration products for Designated-beneficiary residents in skilled nursing facilities but will only be reimbursed according to demonstration prices.

NSC: National Supplier Clearinghouse

Palmetto GBA: Palmetto Government Benefits Administrators

PO: Physician Order

POS: Place Of Service

PPS: Prospective Payment System

Primary Supplier: The lead supplier of a network. This supplier is responsible for submitting demonstration claims to Medicare for the network, receiving Medicare reimbursement on behalf of the network, and distributing Medicare reimbursements appropriately to the other network member suppliers.

Product Category: A bidding unit for the demonstration. Each product category is a group of demonstration products.

Product Weight: A demonstration product's estimated volume during the prior year or quarter divided by the product category's estimated volume during the same year or quarter.

Prospective Payment System: Federal prospective payment rates applicable to Medicare Part A skilled nursing facility services. Payment rates will encompass all costs of furnishing covered skilled nursing services, i.e. routine, ancillary and capital-related costs, not associated with operation-approved educational activities.

Rental Episode: The continuous period of time during which a beneficiary rents an item from a supplier.

Request For Bids: A formal procurement process by which HCFA is requesting eligible Medicare DMEPOS suppliers to propose their most favorable prices for items and services included in the demonstration.

RFB: Request For Bids

Sanction: An official action by the Office of the Inspector General that bars a supplier from participating in the Medicare program during a specific time period, or indefinitely.

Service Area: A subset of the demonstration site that suppliers may bid to serve.

SNF: Skilled Nursing Facility

Supplier Agreement: Document a potential Demonstration Supplier signs to formally agree to the obligations of its participation in the demonstration.

Supplier Ratio: The ratio of the supplier's composite bid price to the cutoff composite bid price chosen by HCFA for the product category.

Weighted Bid Price: The supplier's bid price for a demonstration product multiplied by the product's weight.

Appendix E: Tables

The tables in this appendix further illustrate the processes detailed in the RFB. Tables E-1 through E-3 pertain to Stage Two of the bid evaluation process, while Table E-4 pertains to Stage Four. Explanations are provided in the "Bid Evaluation" section. Explanations of Tables E-5 through E-8 can be found in the "Calculating Demonstration Prices" section.

Table E-1. Product Weights

	Estimated Volume in Prior Year/Quarter	Product Category Estimated Volume in Same Year/Quarter	Product Weight
Product One	93	442	0.21
Product Two	150	442	0.34
Product Three	199	442	0.45
Total	442	442	1.00

Table E-2a. Product One Weighted Bid Prices

	Bid Price	Product Weight	Weighted Bid Price
Supplier A	$139.56	0.21	$29.31
Supplier B	$141.76	0.21	$29.77
Supplier C	$138.01	0.21	$28.98
Supplier D	$142.39	0.21	$29.90
Supplier E	$137.68	0.21	$28.91

Table E-2b. Product Two Weighted Bid Prices

	Bid Price	Product Weight	Weighted Bid Price
Supplier A	$239.76	0.34	$81.52
Supplier B	$241.68	0.34	$82.17
Supplier C	$236.53	0.34	$80.42
Supplier D	$243.14	0.34	$82.67
Supplier E	$233.17	0.34	$79.28

Table E-2c. Product Three Weighted Bid Prices

	Bid Price	Product Weight	Weighted Bid Price
Supplier A	$166.99	0.45	$75.15
Supplier B	$168.27	0.45	$75.72
Supplier C	$165.04	0.45	$74.27
Supplier D	$168.54	0.45	$75.84
Supplier E	$162.72	0.45	$73.22

Table E-3. Composite Bid Prices

	Product One Weighted Bid Price	Product Two Weighted Bid Price	Product Three Weighted Bid Price	Composite Bid Price
Supplier A	$29.31	$81.52	$75.15	$185.98
Supplier B	$29.77	$82.17	$75.72	$187.66
Supplier C	$28.98	$80.42	$74.27	$183.67
Supplier D	$29.90	$82.67	$75.84	$188.41
Supplier E	$28.91	$79.28	$73.22	$181.41

Table E-4. Bid Evaluation Scoring

Category One: Documentation Collection and Records Retention (15 points)

(1) Suppliers should show evidence of documentation collection and retention, including the following items. Requested documents and/or files will be examined for improper modifications.

- (a) Internal policy and procedure manual
- (b) Documentation of infection control procedures
- (c) Procedures for tracking inventory and accounts payable, for billing, and for automating management reports
- (d) Documentation of inventory tracking in the event of a manufacturer recall

(2) On-site inspection results will be reviewed to determine the completeness and accuracy of suppliers' files. Inspectors will verify a supplier's location, examine office space and check for the display of certificates and licenses.

(3) Customer files will be selected at random and examined for the following items.

- (a) A physician order (PO)
- (b) An original certificate of medical necessity (CMN) in the file, where applicable
- (c) Evidence of tampering with the PO and/or CMN (correction fluid, cutting and pasting, etc.)
- (d) A customer-signed claim form or assignment-of-benefits form or letter, where applicable
- (e) Written instruction for customers and/or their caregivers on the function and use of the item(s)
- (f) A "follow-up sheet" recording and monitoring beneficiaries' use of the item(s)

Category Two: Business Practices and Ethics (30 points)

(1) Suppliers should provide evidence of efficient internal operational controls, policies and procedures, and sound management skills.

(2) Suppliers will be assessed on the following criteria.

- (a) Ability to stock, store or obtain required products
- (b) Fines, expulsion or suspension from Medicare or Medicaid programs
- (c) Action against an owner or staff member's professional license, registration or certification
- (d) Protocols for emergencies or disasters, beneficiary complaints, communicating with delivery personnel, and infection control
- (e) Business hours, availability of customer service personnel, and telephone service
- (f) Licensing
- (g) Investigation by a regulatory, professional or licensing agency
- (h) Operating license suspension or revocation

Table E-4. Bid Evaluation Scoring

(i) Payment made by the supplier in a professional or product liability suit

(j) Malpractice actions

(k) Length of time doing business in the demonstration site

(l) Customer information packets and written instructions for customers

Category Three: Customer Satisfaction and Service (40 points)

The evaluation will include an assessment of the supplier's ...

(1) Ability to resolve problems,

(2) Customer/caregiver training,

(3) Product quality,

(4) Timeliness of deliveries,

(5) Staff qualifications,

(6) Ability to resolve customer calls during normal business hours and in emergencies,

(7) Courteousness and knowledge of staff,

(8) Overall satisfaction of customers and referral sources,

(9) Delivery methods, and

(10) Call-back procedure.

Category Four: Financial Stability and Credit Worthiness (15 points)

(1) Suppliers should show evidence of their ability to obtain credit based on their credit histories. A supplier must have a history of timely payments and financial responsibility. Financial institutions will be surveyed to determine if loan payments have been made on time, if suppliers have had checks returned, if suppliers have an adequate average daily balance, and if suppliers' overall credit status with the institution is satisfactory.

(2) Suppliers should also provide evidence of their ability to remain in business throughout the demonstration cycle. They must be financially sound in order to provide the quality and range of items required by the demonstration. If audited, suppliers should have a "clean" auditor's statement.

(3) Suppliers must indicate the total revenue they collected during the past year for the product category (or categories) on which the suppliers bid from all payers and from Medicare. Information on financial stability will be evaluated in relationship to the bidders' size and proposed service areas.

(4) Suppliers' corporate tax returns, and any appropriate tax schedules, will be reviewed. Tax returns and schedules should be provided for the most recently filed tax year as well as the previously filed tax year. The following ratios will determine if suppliers are profitable, capable of supporting growth by either available cash flow or credit positioning/rating, and able to pay creditors.

Table E-4. Bid Evaluation Scoring

(a) Return on sales (profit margin)

(b) Return on assets

(c) Accounts payable to sales

(d) Current ratio

(e) Sales to inventory

(f) Current liabilities to inventory

(g) Collection period

(5) Suppliers will also be assessed on the following criteria.

(a) Bankruptcy

(b) Liability insurance

Table E-5. Supplier Ratios

	Composite Bid Price	Cutoff Composite Bid Price	Supplier Ratio
Supplier E	$181.41	$186.00	1.03
Supplier C	$183.67	$186.00	1.01
Supplier A	$185.98	$186.00	1.00
Supplier B	$187.66	$186.00	N/A
Supplier D	$188.41	$186.00	N/A

Table E-6a. Product One Adjusted Bid Prices

	Bid Price	Supplier Ratio	Adjusted Bid Price
Supplier E	$137.68	1.03	$141.81
Supplier C	$138.01	1.01	$139.39
Supplier A	$139.56	1.00	$139.56
Supplier B	$141.76	N/A	N/A
Supplier D	$142.39	N/A	N/A

Table E-6b. Product Two Adjusted Bid Prices

	Bid Price	Supplier Ratio	Adjusted Bid Price
Supplier E	$233.17	1.03	$240.17
Supplier C	$236.53	1.01	$238.90
Supplier A	$239.76	1.00	$239.76
Supplier B	$241.68	N/A	N/A
Supplier D	$243.14	N/A	N/A

Table E-6c. Product Three Adjusted Bid Prices

	Bid Price	Supplier Ratio	Adjusted Bid Price
Supplier E	$162.72	1.03	$167.60
Supplier C	$165.04	1.01	$166.69
Supplier A	$166.99	1.00	$166.99
Supplier B	$168.27	N/A	N/A
Supplier D	$168.54	N/A	N/A

Table E-7. Demonstration Prices

	Product One Adjusted Bid Price	Product Two Adjusted Bid Price	Product Three Adjusted Bid Price
Supplier E	$141.81	$240.17	$167.60
Supplier C	$139.39	$238.90	$166.69
Supplier A	$139.56	$239.76	$166.99
Supplier B	N/A	N/A	N/A
Supplier D	N/A	N/A	N/A
Total	$420.76	$718.83	$501.28
Average/ Demonstration Price	$140.25	$239.61	$167.09

Table E-8. Medicare Reimbursements and Beneficiary Co-Payments

	Product One	Product Two	Product Three
Demonstration Price	$140.25	$239.61	$167.09
Medicare Reimbursement	$112.20	$191.69	$133.67
Beneficiary Co-Payment	$28.05	$47.92	$33.42

Appendix F: HCPCS Codes and Weights

The HCPCS codes listed on the following pages are included in the demonstration's product categories. Low volume HCPCS codes are excluded from the bidding because they generated no sales in the San Antonio metropolitan area and less than $5,000 in Texas during 1998. The seat cushion and positioning codes for manual wheelchairs are excluded from the bidding because of controversy over the composition of the codes, especially E0192.

Designated beneficiaries should purchase or rent even the non-bid products listed in this appendix from Demonstration Suppliers in order for Medicare to cover the items. However, Demonstration Suppliers will be reimbursed for the non-bid products using the current, statewide fee schedule. The demonstration's transition policies are effective for all codes listed here.

Hospital Bed Codes

HCPCS Code	Item Description	Product Weight
E0250	Hospital Bed, Fixed Height, with any type Side Rails, with Mattress	0.017292
E0255	Hospital Bed, Variable Height (Hi-Lo), with any type Side Rails, with Mattress	0.043403
E0260	Hospital Bed, Semi-Electric (Head and Foot Adjustment), with any type Side Rails, with Mattress	0.712810
E0261	Hospital Bed, Semi-Electric (Head and Foot Adjustment), with any type Side Rails, without Mattress	0.013819
E0265	Hospital Bed, Total Electric (Head, Foot and Height Adjustment), with any type Side Rails, with Mattress	0.016456
E0266	Hospital Bed, Total Electric (Head, Foot and Height Adjustment), with any type Side Rails, without Mattress	0.000051
E0271	Mattress, Innerspring	0.001261
E0272	Mattress, Foam Rubber	0.000147
E0280	Bed Cradle, Any Type	0.000077
E0290	Hospital Bed, Fixed Height, without Side Rails, with Mattress	0.000115
E0292	Hospital Bed, Variable Height (Hi-Lo), without Side Rails, with Mattress	0.000176
E0294	Hospital Bed, Semi-Electric (Head and Foot Adjustment), without Side Rails, with Mattress	0.002315
E0295	Hospital Bed, Semi-Electric (Head and Foot Adjustment), without Side Rails, without Mattress	0.002726
E0305	Bed Side Rails, Half Length	0.000924
E0310	Bed Side Rails, Full Length	0.000341
E0910	Trapeze Bars, A/K/A Patient Helper, attached to Bed, with Grab Bar	0.154094
E0940	Trapeze Bar, Free Standing, Complete with Grab Bar	0.033884
K0456	Hospital Bed, Heavy Duty, Extra Wide, With any type side rails	0.000107
	Total	1.000000

Non-Bid Hospital Bed Codes

HCPCS Code	Item Description
E0251	Hospital Bed, Fixed Height, with any type Side Rails, without Mattress
E0256	Hospital Bed, Variable Height (Hi-Lo), with any type Side Rails, without Mattress
E0291	Hospital Bed, Fixed Height, without Side Rails, without Mattress
E0293	Hospital Bed, Variable Height (Hi-Lo), without Side Rails, without Mattress
E0296	Hospital Bed, Total Electric (Head, Foot, and Height Adjustment) without Side Rails, with Mattress
E0297	Hospital Bed, Total Electric (Head, Foot, and Height Adjustment), without Side Rails, without Mattress

Oxygen Codes

HCPCS Code	Item Description	Product Weight
E0424	Stationary compressed gaseous oxygen system, rental; includes contents (per unit), regulator, flowmeter, humidifier, nebulizer, cannula or mask, and tubing; 1 unit = 50 cubic ft.	0.000733
E0431	Portable gaseous oxygen system, rental; includes regulator, flowmeter, humidifier, cannula or mask, and tubing	0.404043
E0434	Portable liquid oxygen system, rental; includes portable container, supply reservoir, humidifier, flowmeter, refill adapter, contents gauge, cannula or mask, and tubing	0.041364
E0439	Stationary liquid oxygen system, rental; includes use of reservoir, contents (per unit), regulator, flowmeter, humidifier, nebulizer, cannula or mask, and tubing; 1 unit = 10 lbs.	0.041099
E0441	Oxygen contents, gaseous, per unit (for use with owned gaseous stationary systems or when both a stationary and portable gaseous system are owned; 1 unit = 50 cubic ft.)	0.000103
E0442	Oxygen contents, liquid, per unit (for use with owned liquid stationary systems or when both a stationary and portable liquid system are owned; 1 unit = 10 lbs.)	0.000338
E0443	Portable oxygen contents, gaseous, per unit (for use only with portable gaseous systems when no stationary gas or liquid system is used; 1 unit = 5 cubic ft.)	0.000514
E1400	Oxygen concentrator, manufacturer specified maximum flow rate does not exceed 2 liters per minute, at 85 percent or greater concentration	0.085567
E1401	Oxygen concentrator, manufacturer specified maximum flow rate greater than 2 liters per minute, at 85 percent or greater concentration	0.145905

Oxygen Codes (Continued)

HCPCS Code	Item Description	Product Weight
E1402	Oxygen concentrator, manufacturer specified maximum flow rate greater than 3 liters per minute, at 85 percent or	0.105586
E1403	Oxygen concentrator, manufacturer specified maximum flow rate greater than 4 liters per minute, at 85 percent or	0.154593
E1404	greater concentration	
E1405	Oxygen and water vapor enriching system with heated delivery	
E1406	Oxygen and water vapor enriching system without heated delivery	
	Total	1.000000

HCPCS	Item Description
E0444	Portable oxygen contents, liquid, per unit (for use only with portable liquid systems when no stationary gas or

Wheelchair Codes

HCPCS Code		Product Weight
E1031		0.006144
K0001		0.338743
K0002		0.022904
K0003		0.199449
K0004		0.174263
K0005		0.000954
K0006		0.019392

Wheelchair Codes (Continued)

HCPCS Code	Item Description	Product Weight
K0007	Extra heavy duty wheelchair	0.004611
K0015	Detachable, non-adjustable height armrest, each	0.000260
K0016	Detachable, adjustable height armrest, complete assembly, each	0.007003
K0020	Fixed, adjustable height armrest, pair	0.000099
K0021	Anti-tipping device, each	0.027574
K0023	Solid back insert, planar back, single density foam, attached with straps	0.000971
K0024	Solid back insert, planar back, single density foam, with adjustable hook-on hardware	0.003027
K0025	Hook-on headrest extension	0.002238
K0028	Fully reclining back	0.003886
K0030	Solid seat insert, planar seat, single density foam	0.004224
K0031	Safety belt/pelvic strap	0.015759
K0032	Seat upholstery for ultralightweight or high strength lightweight wheelchair	0.000033
K0033	Seat upholstery for wheelchair type other than ultralightweight or high strength lightweight wheelchair	0.000019
K0034	Heel loop, each	0.009367
K0035	Heel loop with ankle strap, each	0.000046
K0036	Toe loop, each	0.000094
K0037	High mount flip-up footrest, each	0.000089
K0038	Leg strap, each	0.000118
K0039	Leg strap, H style, each	0.000020
K0040	Adjustable angle footplate, each	0.000421
K0041	Large size footplate, each	0.000044
K0042	Standard size footplate, each	0.000019
K0043	Footrest, lower extension tube, each	0.000007

HCPCS Code	Item Description	
K0045	Footrest, complete assembly	
K0048	Elevating legrest, complete assembly	
K0049	Calf pad, each	
K0052	Swingaway, detachable footrest, each	
K0053	Elevating footrests, articulating (telescoping), each	
K0054	Seat width of 10", 11", 12", 15", 17", or 20" for a high strength, lightweight or ultralightweight wheelchair	
K0055	Seat of 15", 17", or 18" for a high strength, lightweight or ultralightweight wheelchair	
K0056	Seat height <17" or equal to or greater than 21" for a high strength, lightweight or ultralightweight wheelchair	
K0057	Seat 19" or 20" for heavy duty or extra heavy duty chair	
K0059	Plastic coated handrim, each	
K0062	Handrim with 8-10 vertical or oblique projections, each	
K0063	Handrim with 12-16 vertical or oblique projections, each	
K0064	Zero pressure tube (flat free inserts), any size, each	
K0066	Solid tire, any size, each	
K0067	Pneumatic tire, any size, each	
K0068	Pneumatic tire tube, each	
K0070	Rear wheel assembly, complete, with pneumatic tire, spokes or molded, each	
K0071	Front caster assembly, complete, with pneumatic tire, each	
K0072	Front caster assembly, complete, with semi-pneumatic tire, each	
K0073	Caster pin lock, each	
K0075	Semi-pneumatic caster tire, any size, each	
K0077	Front caster assembly, complete, with solid tire, each	
K0079	Wheel lock extension, pair	

Wheelchair Codes (Continued)

HCPCS Code	Item Description	Product Weight
K0080	Anti-rollback device, pair	0.000244
K0081	Wheel lock assembly, complete, each	0.003139
K0100	Amputee adapter, pair	0.000185
K0101	One-arm drive attachment	0.000801
K0103	Transfer board, <25"	0.001099
K0104	Cylinder tank carrier	0.000751
K0106	Arm trough, each	0.001487
K0195	Elevating legrests, pair (for use with capped rental wheelchair base)	0.130793
K0452	Wheelchair bearings, any type	0.000106
	Total	1.000000

Non-Bid Wheelchair Codes

HCPCS Code	Item Description
K0017	Detachable, adjustable height armrest, base, each
K0018	Detachable, adjustable height armrest, upper portion, each
K0019	Arm pad, each
K0022	Reinforced back upholstery
K0026	Back upholstery for ultralightweight or high strength lightweight wheelchair
K0027	Back upholstery for wheelchair type other than ultralightweight or high strength lightweight wheelchair
K0029	Reinforced seat upholstery
K0044	Footrest, upper hanger bracket, each
K0046	Elevating legrest, lower extension tube, each

Non-Bid Wheelchair Codes (Continued)

Code	Item
K0047	Elevating legrest, upper hanger bracket, each
	Ratchet assembly
K0051	
K0060	Steel handrim, each
	Aluminum handrim, each
K0065	
K0069	Rear wheel assembly, complete, with solid tire, spokes or molded, each
	Pneumatic caster tire, any size, each
K0076	
K0078	Pneumatic caster tire tube, each
	IV hanger
K0107	
L3964	SEO, mobile arm support attached to wheelchair, balanced, adjustable
	SEO, mobile arm support attached to wheelchair, balanced, adjustable Rancho type
L3966	
L3968	SEO, mobile arm support attached to wheelchair, balanced, friction arm support (friction dampening to proximal
L3969	yoke type arm suspension support
	SEO, addition to mobile arm support, elevating proximal arm
L3972	
L3974	SEO, addition to mobile arm support, supinator

Orthotics Codes

HCPCS Code	Item Description	Product Weight
L1800	KO, elastic with stays	0.022614
L1810	KO, elastic with joints	0.013027
L1815	KO, elastic or other elastic type material with condylar pad(s)	0.014210
L1820	KO, elastic with condylar pads and joints	0.020230
L1825	KO, elastic knee cap	0.017777
L1830	KO, immobilizer, canvas longitudinal	0.035488
L1832	KO, adjustable knee joints, positional orthosis, rigid support	0.047422
L1850	KO, Swedish type	0.003404
L1902	AFO, ankle gauntlet	0.009621
L1906	AFO, multiligamentus ankle support	0.017327
L1930	AFO, Plastic	0.080629
L2112	AFO, fracture orthosis, tibial fracture cast orthosis, soft	0.008737
L2114	AFO, fracture orthosis, tibial fracture cast orthosis molded to patient, semi rigid	0.009671
L2116	AFO, fracture orthosis, tibial fracture orthosis, rigid	0.007714
L2132	KAFO, fracture orthosis, femoral fracture cast orthosis, soft	0.000758
L2134	KAFO, fracture orthosis, femoral fracture cast orthosis, semi-rigid	0.000505
L2136	KAFO, fracture orthosis, femoral fracture cast orthosis, rigid	0.000727
L2180	Addition to lower extremity fracture orthosis, plastic shoe insert with ankle joints	0.001147
L2182	Addition to lower extremity fracture orthosis drop lock knee joint	0.001260
L2210	Addition to lower extremity, dorsiflexion assist (plantar flexion resist), each joint	0.045871
L2220	Addition to lower extremity, dorsiflexion assist (plantar flexion assist/resist, each joint	0.032705
L3650	SO, figure of eight design abduction restrainer	0.005853
L3660	SO, figure of eight design abduction restrainer, canvas and webbing	0.003635

Orthotics Codes (Continued)

HCPCS Code	Item Description	Product Weight
L3670	SO, acromio/clavicular (canvas and webbing type)	0.008556
L3700	EO, elastic with stays	0.006113
L3720	EO, durable upright with forearm/arm cuffs, free motion	0.017918
L3730	EO, double upright with forearm/arm cuffs, extension/flexion	0.021939
L3800	WHFO, short opponens, no attachment	0.021024
L3805	WHFO, long opponens, no attachment	0.165195
L3810	WHFO, addition to short and long opponens, thumb abduction (C) bar	0.046629
L3825	WHFO, addition to short and long opponens, MP extension assist stop	0.001218
L3840	WHFO, addition to short and long opponens, spring swivel thumb	0.000419
L3850	WHO, addition to short and long opponens, action wrist, with dorsiflexion assist	0.000483
L3855	WHFO, addition to short and long opponens, adjustable MP flexion control	0.034139
L3860	WHFO, addition to short and long opponens, adjustable MP flexion control and IP	0.037499
L3980	Upper extremity fracture orthosis, humeral	0.006002
L3982	Upper extremity fracture orthosis, radius/ulnar	0.001824
L3984	Upper extremity fracture orthosis, wrist	0.005337
L3985	Upper extremity fracture orthosis forearm, hand with wrist hinge	0.001597
L3995	Addition to upper extremity orthosis, sock, fracture or equal, each	0.004755
L4350	Pneumatic ankle control splint (e.g. aircast)	0.040198
L4360	Pneumatic walking splint (e.g. aircast)	0.062124
L4380	Pneumatic knee splint (e.g. aircast)	0.000709
L4392	Replace soft interface material, ankle contracture splint	0.020531
L4396	Ankle contracture splint	0.094458

Orthotics Codes (Continued)

HCPCS Code	Item Description	Product Weight
L4398	Foot drop splint, recumbent positioning device	0.001002
	Total	1.000000

Non-Bid Orthotic Codes

HCPCS Code	Item Description
L2040	HKAFO, torsion control, bilateral rotation straps, pelvic band/belt
L2050	HKAFO, torsion control, bilateral torsion cables, hip joint, pelvic band/belt
L2060	HKAFO, torsion control, bilateral torsion cables, ball bearing hip joint, pelvic band/belt
L2070	HKAFO, torsion control, unilateral rotation straps, pelvic band/belt
L2184	Addition to lower extremity fracture orthosis, limited motion knee joint
L2186	Addition to lower extremity fracture orthosis, adjustable motion knee joint Lerman type
L2188	Addition to lower extremity fracture orthosis, quadrilateral brim
L2190	Addition to lower extremity fracture orthosis, waist belt
L2192	Addition to lower extremity fracture orthosis, hip joint, pelvic band, thigh flange, and pelvic belt
L3710	EO, elastic with metal joints
L3815	WHFO, addition to short and long opponens, second MP abduction assist
L3820	WHFO, addition to short and long opponens, IP extension assist, with MP extension stop
L3830	WHFO, addition to short and long opponens, MP extension assist
L3835	WHFO, addition to short and long opponens, MP spring extension assist
L3845	WHFO, addition to short and long opponens, thumb IP extension assist, with MP stop
L4370	Pneumatic full leg splint (e.g. aircast)
L4394	Replace soft interface material, foot drop splint

Nebulizer Drug Codes

HCPCS Code	Item Description	Product Weight
E0590	Monthly dispensing fee	0.003627
J2545	Pentamidine isethionate, inhalation solution, per 300 mg, administered through DME	0.000001
J7608	Acetylcysteine, inhalation solution administered through DME, unit dose form, per gram	0.000583
J7618	Albuterol, inhalation solution administered through DME, concentrated form, per milligram	0.033907
J7619	Albuterol, inhalation solution administered through DME, unit dose form, per milligram	0.844085
J7628	Bitolterol mesylate, inhalation solution administered through DME, concentrated form, per milligram	0.000354
J7631	Cromolyn sodium, inhalation solution administered through DME, unit dose form, per 10 milligrams	0.000570
J7636	Atropine, inhalation solution administered through DME, unit dose form, per milligram	0.011423
J7638	Dexamethasone, inhalation solution administered through DME, unit dose form, per milligram	0.000824
J7639	Dornase alpha, inhalation solution administered through DME, unit dose form, per milligram	0.000021
J7644	Ipratropium bromide, inhalation solution administered through DME, unit dose form, per milligram	0.090358
J7659	Isoproterenol HCL, inhalation solution administered through DME, unit dose form, per milligram	0.000014
J7669	Metaproterenol sulfate, inhalation solution administered through DME, unit dose form, per 10 milligrams	0.008284
J7681	Terbutaline sulfate, inhalation solution administered through DME, unit dose form, per milligram	0.000299
J7683	Triamcinolone, administered through DME, concentrated form, per milligram	0.003213
J7684	Triamcinolone, administered through DME, unit dose form, per milligram	0.002438
	Total	1.000000

Non-Bid Nebulizer Drug Codes

HCPCS Code	Item Description
J7629	Bitolterol mesylate, inhalation solution administered through DME, unit dose form, per milligram
J7635	Atropine, inhalation solution administered through DME, concentrated form, per milligram

Non-Bid Nebulizer Drug Codes (Continued)

HCPCS Code	Item Description
J7637	Dexamethasone, inhalation solution administered through DME, concentrated form, per milligram
J7642	Glycopyrrolate, administered through DME, concentrated form, per milligram
J7643	Glycopyrrolate, inhalation solution administered through DME, unit dose form, per milligram
J7648	Isoetharine HCL, inhalation solution administered through DME, concentrated form, per milligram
J7649	Isoetharine HCL, inhalation solution administered through DME, unit dose form, per milligram
J7668	Metaproterenol sulfate, inhalation solution administered through DME, concentrated form, per 10 milligrams
J7680	Terbutaline sulfate, administered through DME, concentrated form, per milligram